2019

ANNUAL REPORT

Stredoslovenská distribučná

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1 FOREWORD BY THE CHAIRMAN OF THE BOARD OF DIRECTORS AND THE CHIEF EXECUTIVE OFFICER

DEAR CUSTOMERS, BUSINESS PARTNERS, SHAREHOLDERS AND COLLEAGUES,

Looking back at the previous year in Stredoslovenská distribučná, a.s. we can be pleased with several factors. The most important one is that we still perform our distribution duties professionally and responsibly. This is due to our growing number of customers, which increases by thousands each year. There are currently around 760,000 and our customer service colleagues already have hundreds of new connection applications.

Another positive point to mention for the year 2019 is an investment of approximately EUR 46 million. This is also closely linked not only to an increase in the number of customers, but also to our endeavour to continuously improve the quality of distribution services. The best example was the launch of a new 110/22 kV transformer substation in Krásno nad Kysucou, into which we invested three and a half million euros. It was a strategic project of key importance to the Kysuce region. Thanks to the new transformer substation, production plants and industrial parks will be developed in the region. They will bring along other job opportunities, economic development, and a higher standard of living for many inhabitants.

We are glad that in the last year we have managed to complete dozens of projects with a positive effect on the size and quality of the electricity distribution system in Central Slovakia. For instance, the final inspection of a new substation in Nováky, the reconstruction of the 100-kilovolt lines between Handlová and Chrenovec-Brusno, the reconstruction of a 15-km section of high voltage electrical power lines between Dolný Kubín and Chlebnice, and connecting the Turiec and Horehronie regions with an underground high-voltage cable through the Šturec mountain pass, are among the most prominent.

We address environmental protection systematically, which is confirmed by our investment in the installation of bird flight detectors on lines crossing watercourses. In this way, we have already treated many sites identified by state environmentalists as risky. We are gradually planning to extend our environmental activities to other areas. Ecology is becoming one of the most important issues to the human race, therefore our company is also trying to adapt to current needs while using advanced technology and procedures.

As we noted at the outset, we can be satisfied with the year 2019 but we certainly do not want to stay content. Our task is to preserve what works well and improve what still has potential. If we want to keep pace with development and new trends, we still need to seek room for improving our services for electricity consumers.

We have so much more yet to accomplish and we know that in the following years we will continue to face huge challenges. However, if we approach the challenges in the same way as the previous ones, we will gradually overcome them all. Our company has already proved its viability and stability. It has been able to cope with various obstacles, whether in the field of customer services, legislative changes, lawsuits, or energy-related disasters, which have increased in recent years. We therefore believe that, through our joint effort and mutual trust, we can continue in our tasks and move constantly forward.

We would like to express our sincere thanks to all those involved in the smooth running of our Company for their cooperation so far and in the same breath to ask for their favour and support in the future.

Best regards

Ing. František Čupr, MBA,
Chairman of the Board of Directors

Mgr. Ing. Marek Štrpka,
Chief Executive Officer


PRAHA

2 ABOUT THE COMPANY

2.1 BASIC INFORMATION ON THE COMPANY

Stredoslovenská distribučná, a.s., (hereinafter: "SSD, a.s." or the "Company") was founded with the business name Stredoslovenská energetika – Distribúcia, a.s., on 22 March 2006. It was entered in the Commercial Register of the District Court in Žilina on 8 April 2006. The incorporation was initiated by the obligation of Stredoslovenská energetika, a.s. to implement the legal separation of activities associated with the operation of the distribution system, the so-called unbundling. The Company operates in the Žilina, Banská Bystrica and part of the Trenčín Regions, where it distributes electricity to almost 760,000 supply points for customers, i.e. entrepreneurs and households. The Company started its activity on 1 July 2007, when according to Article 25, par. 1 of the Energy Act (unbundling), the Distribution system operator was divided by a contribution of part of the company (Division 7000 Distribution System Operator) to the registered capital of the subsidiary company Stredoslovenská energetika – Distribúcia, a.s. On 1 March 2018, Stredoslovenská energetika – Distribúcia, a.s. changed its business name to Stredoslovenská distribučná, a.s.

2.2 IDENTIFICATION DATA

Business name:	Stredoslovenská distribučná, a.s.
Address:	Pri Rajčianke 2927/8, 010 47 Žilina
Reg. No. (IČO):	36442151
Tax ID (DIČ):	2022187453
VAT ID (IČ DPH):	SK 2022187453
Bank details:	VÚB, a.s., Žilina
IBAN:	SK44 0200 0000 0021 4355 0551
BIC:	SUBASKBX

The joint-stock company is registered in the Commercial Register of the District Court Žilina, Section Sa, Insertion no. 10514/L, incorporation date 8 April 2006.
E-mail: prevadzkovatel@ssd.sk
Website: www.ssd.sk

2.3 BUSINESS PURPOSE

Stredoslovenská distribučná, a.s. pursues its business activities based on licences granted according to special laws of the Slovak Republic and carries out the following main activities:

- Distribution of electricity,
- Installation and repair of measuring and control technology,
- Design and construction of electrical equipment,
- Advisory activities in the energy sector,
- Engineering activities and related technical consultancy,
- Rental of energy equipment,
- Constructions and changes thereto,
- Repairs, expert inspections and technical examinations of electrical classified technical equipment in the scope of S, O (OU, R, M) – E1-A,
- Installation of determined metering devices.

The Company's core business is the distribution of electricity to end customers, which in most cases is invoiced through electricity traders in the form of the so-called Contract on composite electricity supply.

2.4 SHAREHOLDER STRUCTURE

The sole shareholder of Stredoslovenská distribučná, a.s., holding 100% of shares, is Stredoslovenská energetika Holding, a.s., with its registered office at Pri Rajčianke 8591/4B, 010 47 Žilina, Reg. No. (IČO): 36403008, registered in the Commercial Register of the District Court in Žilina, Section Sa, Insertion number 10328/L, incorporation date 1 January 2002.

2.5 COMPANY MANAGEMENT DURING THE YEAR ENDED ON 31 DECEMBER 2019

Board of Directors:

- Ing. František Čupr, MBA, Chairman,
- Ing. Martin Kuna, Vice-Chairman,
- Ing. Michal Janíček, Member,
- Ing. Roman Filipoiu, Member,
- Petr Kozojed, Member

Supervisory Board:

- Ing. Pavol Mertus, Chairman,
- William Price, Vice-Chairman,
- Ing. Marcela Kumštárová, Member,
- PaedDr. Jozef Bojčík, Member,
- Ing. Drahomír Múdry, Member,
- Ing. Vladimír Macášek, Member,
- Ing. Dušan Majer, Member elected by employees,
- Ing. Igor Pištík, Member elected by employees,
- Ing. Miroslav Martoník, Member elected by employees

2.6 ORGANIZATIONAL STRUCTURE AS AT 31 DECEMBER 2019

Board of Directors SSD, a.s.

Compliance officer

Audítor

Data protection officer

Chief Executive Officer SSD, a.s.

Office of the Board of Directors
Section Director

Legal
Section Director

Regulation
Section Director

HR
Section Director

Energy Assets
Division Director

- **Distribution System Strategy** Section Director
- **Network Management and Development** Section Director
- **Project Management** Section Director
- **Dispatching** Section Director

Construction and Assembly Activities
Division Director

- **Assemblies** Section Director
- **Production Preparation and Projects** Section Director

Customer Services
Division Director

- **Customer Care** Section Director
- **Electronic and Data Services** Section Director

Finance and Internal Services
Division Director

- **Finance** Section Director
- **Asset Management and Transport** Section Director
- **Purchase and Warehouse Management** Section Director
- **Information Technologies** Section Director

Operation and Maintenance of Power Installations
Division Director

- **Operation of Power Installations** Section Director
- **Maintenance of Power Installations** Section Director

COMPANY ACTIVITIES

3.1 SIGNIFICANT EVENTS IN 2019

Customer services

In 2019, internal activities focused on the secure and efficient operation of the distribution system continued. With the same aim, we have also addressed cyber security issues, data, structure, processes, assets, and the economy.

We prepared a new systemic electronic communication tool for distribution customers which is ready to go into production operation in the first half of 2020. It will help us more effectively perform timely legislative obligations that apply from 1 January 2019, such as entering into written distribution system connection contracts between our Company and every end customer.

We successfully continued to refine the localization of distribution devices and supplement data to meet our obligations and improve the quality of our services.

In 2019, interest in developing a distribution system for connecting new supply points through development projects increased. Such cooperation saves time and considerable financial resources, which means that it can be developed more and more effectively.

We addressed preparation for the launch of evaluation and observance parameters for electricity consumption according to the technical conditions of the Company and the distribution price list. We continuously sent information with measured data to electricity suppliers so that they could assess the operation of supply points in advance and had sufficient time to take action to eliminate billing at increased tariffs, thereby saving their budgets.

Billing at increased tariffs for failure to meet the power factor and electricity reactive component for LV-voltage-level customers was launched on 1 January 2020 in order to eliminate the influence of supply points in creating undesirable effects on the quality of electricity distribution in general.

In 2019, we also organized a large working meeting of the Company top management with our most important business partners – electricity suppliers. They are our long arm for executed general distribution contracts and contracts on composite electricity supply with end customers. They cover a significant part of professional communication and billing. We rate these relationships as exceptionally good, helpful, efficient and of good quality. We perform our mutual obligations to the maximum extent possible. For our Company, especially in the field of data communication and electricity distribution, to ensure that the service provided to customers by dealers is understandable, acceptable, and as much accepted as possible.

We performed our obligations to the electricity market using high-quality automated processes. The number of anomalies in relation to the volume of reports was negligible. We thus maintain quality at the maximum possible level within the limits of IT technologies.

A legislative amendment has also changed the support system in relation to electricity producers under Act No. 309/2009 Coll., as amended. For this reason, we have handed over the support process for surcharges for producers from renewable sources and electricity and heat cogeneration OZE/KVET to OKTE, a.s. (JSC). For the same reason, we have handed over the process for purchasing produced electricity to the central buyer, Slovenský plynárenský priemysel, a.s. (JSC).

We concluded contracts on access to the distribution system with all producers, thus fulfilling our new legislative obligation to conclude written contracts. During 2019 the Ministry of Economy of the SR allocated a capacity for connecting new sources with regard to the condition of individual distribution systems. Our Company addressed requirements and assessed the connection possibilities for the required sites.

At the end of the year, we devoted time to an analysis of the fourth energy package in terms of impact, risks and measures before its implementation into the conditions of the electricity market in the Slovak Republic and directly in the conditions of our Company.

External Communication

Our Company continued its communication activities towards the external environment with the same principle as in recent years. Through various channels of communication, mainly through the media, the Company tried to communicate with the public about everything important relating to electricity consumers. Where appropriate, this was at a personal, local, regional, or national level.

The public and the media were traditionally interested in the distribution of electricity mainly during energy disasters and large-scale power outages. In such cases, they received regular and detailed information on where failures occurred, how many sampling points were affected, and at what stage their removal was. In 2019, eight energy disasters occurred in Central Slovakia. Most Slovak media informed about their progress in close cooperation with our Company. Not only current information on the course of the disasters, but also reports on the elimination of their consequences were of great benefit to inhabitants. As a result, consumers could see the conditions under which energy workers have to work and what they have to deal with to restore the electricity supply. On the basis of specific reporting, they could better understand the distribution company’s system during an emergency.

As a matter of course, customers were informed of planned power outages. In addition to official notifications, they received information through the media, in particular regional media. First of all, it helped them to prepare for the outage in time, but they always received a brief explanation of why the outage was necessary, what work was to be performed during it, and how it would affect the further distribution of electricity.

In recent years, the introduction of key investments in distribution network development has become an increasingly important part of the Company’s external communication. Thanks to press releases, articles, radio programmes and television reports, the public has learned about the most important investment projects, the installation of bird protection elements, the relocation of stork nests from electric poles, and the obligations of landowners to respect the protection zones of energy facilities. Thus, the Company tries to explain the principles of its operation, management and planning. This gives customers a better overview of where investment is made, why and how they will benefit from it.

We also continued in well-established and particularly useful meetings with mayors from our area of competence. We presented to them new investment projects and plans from their region, explained important links and addressed specific questions and requirements.

In addition to the above-stated areas of the Company's active external communication, we continuously dealt with a number of suggestions, either from the media, offices or from individual customers. In any case, both active and reactive communication towards the external environment had a clear goal - to inform customers about everything concerning them, to explain the context and to facilitate their orientation in the energy sector so that they always know who is responsible for what, what role they have, what their duties are, who can be contacted with a specific request, and how to proceed in dealing with it.

3.2 INVESTMENT PLANNING, KEY INVESTMENTS IN 2019

Our permanent goals are to strengthen the critical points of the grid, to renew the system's physical condition, to comply with quality standards, to reduce electricity distribution losses, and to connect new supply points. Our investment activity reflects current needs for the development and quality of the distribution system, previous development as well as legislative requirements for its operator. At our company we realize that the quality of distribution and trouble-free operation are very important to our customers. The planned activities and investments are therefore targeted at achieving the expected quality of services. We make every effort to best meet the expectations of our customers.

In connection with our Company's mission, the investment process is divided into three basic sections:
- New connections,
- Quality and increase of transmission capacity of lines,
- Other investments linked to the distribution activity.

Structure of investment expenditures in 2019 by individual sections:

New connections	EUR 8.44 mil.
Quality and increase of transmission capacity of lines	EUR 26.87 mil.
Other investments associated with the distribution activity (development, IT, measuring sets, and others)	EUR 11.23 mil.

New Connections

In terms of this investment section, we have dealt with the development actions of the distribution system construction because of the need to connect larger supply points to the high voltage (HV) level. This includes, for instance, industrial parks, multifunctional buildings, and retail spaces. On the low-voltage (LV) level, we invested in the construction of new supply points for family houses, housing developments, smaller business premises, and public amenities. We completed 209 constructions at the HV and LV level, and invested EUR 8.44 mil. in 2019.

Quality and Increase of the Transmission Capacity of Facilities

From the point of view of investment construction in the area of quality and the increase of the transmission capacity of the facilities, we implemented 125 constructions at the HV/LV voltage level, and 23 constructions at the very high voltage level (VHV) at a total annual investment cost of EUR 26.87 mil. in 2019. The purpose of these investments is to ensure the reliability and fluency of the distribution of electricity and the resulting customer satisfaction.

Continuing priorities of the construction were to keep the quality parameters, eliminate adverse physical conditions due to external influences and equipment lifetime, reduce failure rates, modernize equipment, deploy remote monitoring and control functions, and improve the possibilities of electricity distribution. These actions contribute to reducing the SAIDIP parameters, i.e. the planned period of dead intervals in client/minutes, and SAIFIP, i.e. the planned frequency of dead intervals in client/blackouts.

Values of the basic SAIDIP and SAIFIP indicators achieved in the previous period:

Year	SAIDIP	SAIFIP
2011	146	0.47
2012	81	0.36
2013	85	0.35
2014	89	0.35
2015	118	0.46
2016	179	0.60
2017	140	0.49
2018	190	0.60
2019	194	0.645

In the event of unplanned interruptions in the electricity supply caused in particular by failures (whether due to adverse weather or technical reasons), the priority is to restore the supply after interruption in the shortest possible time and in accordance with the terms defined by Decree of the Regulatory Office for Network Industries No. 236/2016, which regulates the quality standards of transmission, distribution and supply of electricity.

In this context, we achieved the following parameters:

Year	SAIDIU	SAIFIU
2011	105	2.36
2012	86	1.72
2013	83	1.81
2014	77	1.62
2015	88	1.89
2016	86	2.19
2017	91	1.97
2018	96	2.08
2019	105	2.24

Due to extreme weather conditions, mainly strong windstorms, rain or snowfall, eight disasters occurred during the year with significant interruption of electricity distribution. Our distribution region was mainly affected by disasters in January, March, July, and December. They affected mainly the mountainous regions of Kysuce, Orava, Liptov, Horehronie and Gemer, but outages also occurred in other parts of Central Slovakia. Particularly, the rooting out of trees and their collapse on electric power equipment resulted in torn wires, bent brackets, broken support points and broken insulators, causing interruption of distribution. Not only were the lines affected, but the HV and LV stations were as well. To eliminate the consequences of outages, our employees often worked in very difficult-to-access terrain and demanding natural conditions. Their aim was always to restore the supply of electricity to customers in the shortest possible time.

3.3 MAIN ACTIVITIES AND INVESTMENTS IN TERMS OF THE DEVELOPMENT OF THE DISTRIBUTION SYSTEM

In terms of ensuring reliable electricity distribution and distribution system development, in 2019 our Company continued to search for technical and regulatory solutions with Slovenská elektrizačná prenosová sústava, a.s., (SEPS) in the following areas:

a) Transition from voltage level 220 kV to 400 kV in Považská Bystrica or Ladce. The need for transformation of the transmission and distribution system in this area was confirmed on the basis of joint negotiations and studies. The 220/110 kV Považská Bystrica node will not be cancelled without a replacement but a new 400/110 kV transformer substation will be built at the Ladce site with two 400/110 kV transformers. The subject of further negotiations will be the means of bringing power from the new transformer substation to the SSD 110 kV distribution system.

b) The development of the distribution system was also affected by an amendment to Act No. 309/2009 on the promotion of renewable energy sources and high efficiency cogeneration. Following the Amendment, the Energy Assets Division prepared opinions on the capacity reserved for connecting a local source as well as opinions on the connection points and conditions and capacity reservations for renewable energy sources and high efficiency cogeneration. The opinions were issued according to information from the Ministry of Economy of the Slovak Republic on the installed capacity for SSD for 2019 in local sources up to 10 MW and in renewable sources up to 4 MW. In June 2019, the Ministry published the installed capacity of new power generation facilities for 2020.

c) The flows of idle energy from the distribution system to the transmission system, which have been steadily increasing in recent years due to increased cabling, a revolutionary change in the nature of electricity appliances and the deployment of sources cause serious problems in the operation of the transmission system. Together with other distribution system operators and the transmission system operator, a process has been launched which must bring proposals to address this unfavourable situation and to increase the safety of the operation of the whole electricity system.

Flagship projects 2019:

- We completed the construction of a new 110/22 kV transformer substation in Krásno nad Kysucou with a final inspection decision at the end of 2019. The new transformer substation will ensure the safe and reliable supply of electricity for original customers but will also help satisfy increased interest in connecting new customers in the adjacent industrial park. The new transformer substation will also ensure sufficient electricity capacity for the needs of new residential construction, while at the same time enabling the safe elimination of power outages in the Kysuce and Orava regions during disasters;

- We completed total reconstruction of the oldest 110 kV lines in Slovakia. The reconstruction was conducted on 2 x 110 kV lines no. 7855/603 between Kysucké Nové Mesto and Čadca at a length of 19km. The reconstruction consisted of dismantling the original lines and the construction of new ones on the same route;

- We completed the reconstruction of VHV lines 7703 and 7811 leading to the Handlová transformer substation. The subject of the reconstruction was the replacement of poles with conductors mostly on the original route. A part of the route has been modified in order to eliminate the impact of mining activity in the affected area where collision conditions occurred with the inclination of poles;

- We finished the second stage of the replacement of VHV instrument transformers in ten electric stations. The replacement was implemented in coordination with several units of our Company to replace instrument transformers with the most critical values in order to avoid potential serious failures. By the end of the second stage, the entire scope of the technical design for the replacement of 180 VHV instrument transformers was fulfilled;

- We completed the replacement of two VHV/HV transformers in the Fiľakovo and Mokraď transformer substations and started the replacement of a VHV/HV transformer with a compensator in the Štrba transformer substation;

- We completed the reconstruction of the Management Information System (MIS) in the Ladce transformer substation; started the reconstruction of MIS in the Kysucké Nové Mesto transformer substation, and launched preparation for the reconstruction of MIS in the Hričov transformer substation;

- Based on a request for a new connection on the VHV side, we started an extension of the 110 kV substation in Kysucké Nové Mesto by two new fields for the needs of the customer KLF – Distribúcia, s.r.o. (Ltd.). The technological part has been implemented, it is just necessary to complete landscaping, which was not possible in winter;

- We started the reconstruction of VHV lines 7717 and 7718 from the Varín nodal electric station to the Sučany nodal electric station. The purpose of the reconstruction carried out in difficult terrain is to ensure the safe transmission of electricity between the nodes;

- In autumn 2019 we started the reconstruction of the Sučany nodal electric station in coordination with SE-VET, a.s. (JSC), and SEPS, a.s. (JSC), whose facilities are also affected by the reconstruction. The purpose of the reconstruction is to increase the safety of the transmission of electricity supplied from the said nodal electric station to the distribution network;

- We launched a modification of the Bystričany nodal electric station due to the shift of SEPS, a.s. (JSC) from a 200 kV voltage level to 400 kV. Due to the change of the superior voltage system, it is necessary for our Company to make adjustments in the 110 kV substation for its own consumption, the MIS and protective elements;

- We began preparation for the reconstruction of the 110/22 kV Vlkanová transformer substation in order to reduce the cost of maintenance, operation and energy consumption.

3.4 TECHNICAL PARAMETERS OF THE DISTRIBUTION SYSTEM

Technical parameters of our distribution system in the year 2019:

TECHNICAL PARAMETERS OF THE DISTRIBUTION SYSTEM	
Total length of the distribution system in km	**33 597**
Very high-voltage VHV	2 528
High-voltage HV	10 942
Low-voltage LV	20 127
Number of transformer substations, substations, transformer stations	**9 255**
VHV Substations in stations TS/VHV	6
Transformer substations VHV/HV	56
Transformation and switching stations HV/HV	74
Distribution transformer stations HV/LV	9 119

3.5 ENVIRONMENTAL PROTECTION AND OHS

Safety management system and OHS

Providing for the protection of the safety and health of our employees, suppliers, customers and the public has top priority in our business plan.

In 2019 we successfully passed the Occupational Safety and Health Management System (OHSAS 18001) recertification audit, where key areas were reviewed and compliance with the relevant standard was assessed.

We were actively involved in the European Union-wide campaign "Healthy workplaces – Week of Safety and Health at Work – Healthy Workplaces Control Hazardous Chemical Substances" organized by the European Agency for Safety and Health at Work.

Environmental Management System

We successfully passed an environmental management system recertification audit under ISO 14001:2015. The audit results in compliance with the standard confirmed by the certification body.

Nature Protection and Biodiversity

The general protection of biodiversity is ensured through the use of technical elements preventing the death of birds on electric lines.

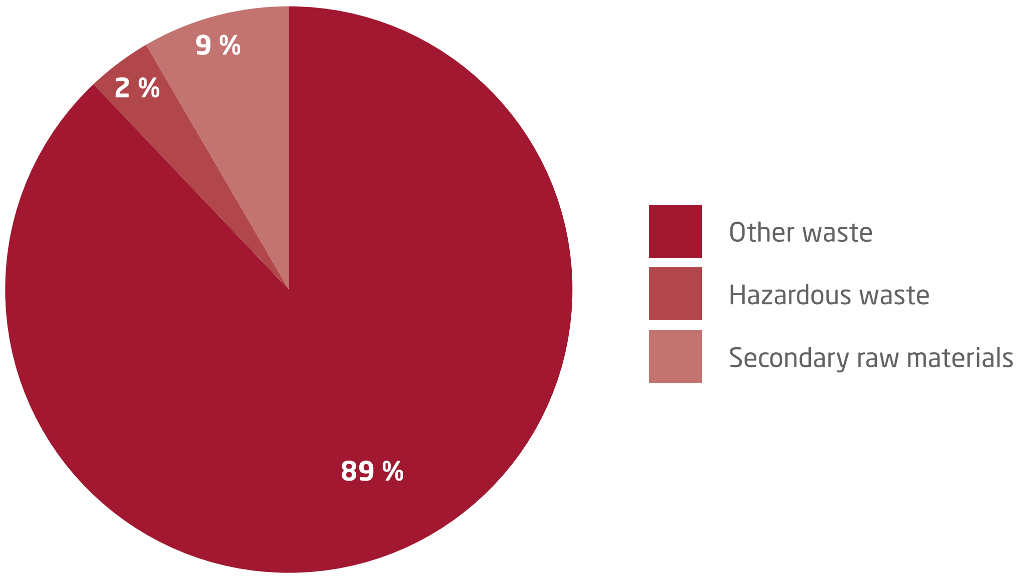
In cooperation with the regional units of the State Nature Conservancy of the Slovak Republic and municipalities, we carried out the relocation of stork nests from LV-network support points at six sites. We have been engaged in the greening of distribution power lines for many years. In critical areas, power lines have been marked with reflective elements to increase visibility. Warning balls and dynamic reflective elements were used. We continue to install proven technical elements against death on risk support posts - bracket protectors on 22 kV flat brackets.

The results of our activities in reducing the risk of bird deaths on the distribution network were presented at the final meeting of the Management Board and co-operators of the LIFE Energy project in September 2019 with the participation of nature conservation associations and distribution companies in Slovakia. The LIFE Energy project covered the greening of thirteen bird protection areas and lasted five years. As a volunteer partner of the project, our Company ensured risk sections in the Poiplie Bird Protection Area with a length of five kilometres.

Waste Management

In terms of the waste management hierarchy, we consistently prefer waste recovery to waste disposal. We have significantly reduced the share of hazardous waste produced. We use available equipment to recycle inert building waste, such as concrete columns and bases. Recycled waste includes ferrous and non-ferrous metals, cables, discarded equipment including electricity meters, batteries, and oils.

Graph: Share of waste generated for 2019



Surface Water and Groundwater Protection

In 2019 oil leaks from distribution devices in eight distribution facilities were reported. Exceptional leaks were reported to the emergency service of the Slovak Environmental Inspectorate. The remediation work was carried out immediately and the site was restored to its original condition.

In accordance with the conditions of the water permit, analyses of waste water from waste water treatment plants were performed. The measured values did not exceed the set limit values for pollution at the estuary. In addition, analyses of waste water from oil separators were performed. The oil content in discharged waste water (non-polar extractables) was monitored without proven oil pollution.

3.6 EMPLOYEES

As at 31 December 2019, we recorded 1,316 employees. The rate of voluntary fluctuation grew to 2.52% compared to the previous year. During the year 2019, 23 employees retired (old-age pension, early retirement, disability pension). As at 31 December 2019, the average employee age grew slightly compared to the previous year. It was at 45.74 years. The average length of employment in the SSE Holding Group increased only marginally and was almost 19.7 years at the end of 2019.

Structure of employees by gender

	As at 31. 12. 2019	Share (%)
Women	230	17.48
Men	1 086	82.52
Total	**1 316**	**100.0**

Our task is to continually increase the qualifications, competences and personal development of our employees through the system of education, process and project management. Promoting mutual trust between the management and employees is an integral part of human resource development in our Company. We see the expertise of our employees as capital, which today is a must and a great asset for employees and employers which increases the competitive advantage of the Company.

The employer supports the education of its employees in a targeted way and offers them activities that will increase their potential and working comfort while complying with legislative obligations for the performance of their jobs. Employees attended professional training, courses, seminars, conferences, and workshops.

Last year was marked by the issue of cyber security. We included this topic in internal training. We also dealt with the area of the electricity system, new phenomena in the energy sector, investment construction, economic and electrical minimum, regulation and legal awareness.

We also paid attention to training in managerial skills, as well as communication, stress management and personal efficiency.

The Company's aim is to further develop the potential of its employees so that they have the possibility of personal and career growth. In 2019 the Company invested almost EUR 315,500 in employee training and organized 962 educational activities.

As part of the support for the development of secondary vocational electrical education, we concluded contracts on practical training with three secondary schools – the Secondary Technical School of Electrical Engineering in Žilina, the Joint School in Banská Bystrica, and the Secondary Vocational School of Polytechnics in Dolný Kubín–Kňaže. Beginning September 2019 ten students have been taking practical instruction in our Company in different workplaces within the Operation and Maintenance of Power Installations Division.

October and November 2019 saw the beginning of the seventh year of the Trainee programme. Within the programme, 9 4th- and 5th-year university students have the opportunity to gain experience in project management, design, control engineering, network management and development, standardization, distribution system strategy and human resources.

Internal Communication

In the area of internal communication, we continue in the set trend. We have introduced instant messaging on the Intranet to inform about accidents at work. The purpose is to inform employees as quickly as possible of such events; the messages also serve to ensure a reduction in the accident rate within the SSE Holding Group.

An application that allows electricians and electrical fitters to access the Intranet via smartphone is ready to be put into operation. At present, a technical solution (Mobile device management) is in test mode for secure access to the application from an external environment.

We also organized several surveys in 2019. The reason was to get feedback from employees, mainly in the area of HR. We have launched a corporate LinkedIn profile to promote job vacancies.

4 REPORT ON THE ECONOMIC RESULTS AND OPERATION OF THE COMPANY STREDOSLOVENSKÁ DISTRIBUČNÁ, A.S. FOR THE YEAR 2019

ECONOMIC RESULTS

The financial management of the Company in 2019 continued to focus on the creation of optimal conditions for carrying out its main activity and achieving the Company's planned economic results of profitability and financial stability. During the year, activities and initiatives aimed at more efficient use of financial resources in operations and investment activities continued.

The financial statements of the Company as at 31 December 2019 were compiled according to the International Financial Reporting Standards (IFRS) as adopted by the European Union and as ordinary financial statements in accordance with Article 17 par. 6 of Act of the National Council of the Slovak Republic No. 431/2002 Coll. on accounting, as amended ("Accounting Act") for the accounting period between 1 January 2019 and 31 December 2019.

For 2019, the Company achieved a profit after tax of EUR 112.2 mil., which represents a year-on-year growth of EUR 72.1 mil. (+180%). The year to year increase is due to transactions related to the promotion of renewable energy sources and system operation tariff (TPS) in accordance with applicable legislation. Profitability from the Company's core business remains stable year on year.

Operating income accounts for EUR 521.1 mil., whereas the largest portion represented the revenues for electricity distribution and TPS revenues. The year to year growth is due to the higher TPS correction value for the period t-2.

Operating costs reached EUR 316.4 mil., of which the most significant part was the cost of RES support (purchase of electricity from producers from renewable sources and electricity and heat cogeneration – OZE/KVET, surcharge payments). Other significant items are distribution costs, in particular the costs of purchasing electricity for distribution losses, including the associated loss deviation, personnel costs and the costs of operating and maintaining the distribution system.

In EUR mil.	2019	2018
Operating income	521.1	436.0
Operating costs	-316.4	-322.4
EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization)	**204.7**	**113.5**
Depreciation of tangible and intangible assets	-57.7	-59.5
Financial costs, net	-0.4	-0.4
Profit before tax	**146.7**	**53.6**
Income tax	-34.5	-13.5
Profit after tax	**112.2**	**40.1**

CAPITAL STRUCTURE – ASSETS, EQUITY AND LIABILITIES

Assets

As at 31 December 2019, the assets of the Company reached EUR 1,021.6 mil., which represents a year to year drop by EUR 53.0 mil. (- 5%).

Non-current assets amounted to EUR 771.3 mil. (75% of the value of total assets). The highest share is made up of the distribution system, buildings and constructions, machinery, equipment and investments in progress. In 2019 we reported additions to non-current assets of EUR 50.7 mil. (including relocations of power installations). Additions to non-current assets were mainly generated by investments aimed at the renewal and development of the distribution system.

Current assets reached EUR 250.3 mil. (25% of the value of total assets). As at 31 December 2019, the Company reported trade receivables in the amount of EUR 22.8 mil. gross, out of which due receivables accounted for EUR 19.7 mil. gross. The funds managed by the parent company, Stredoslovenská energetika Holding, a.s., on the basis of the "Cash-Pooling Agreement" as at 31 December 2019 amounted to EUR 83.8 mil. and are reported as a receivable from the parent company.

Liabilities

Equity of the Company as at 31 December 2019 reached EUR 790.6 mil., which accounts for 77% of the value of the assets cover. A year to year drop by 7% is due to lower retained earnings related to the payment of dividends in 2019.

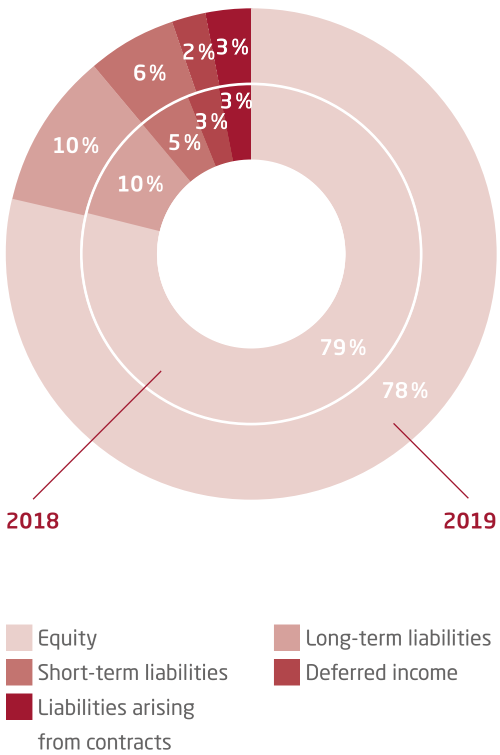
Long-term and short-term liabilities account for 16% of the total assets cover, and their amount as at 31 December 2019 was EUR 168.3 mil. excluding liabilities arising from contracts and deferred income, which represents a year to year increase by EUR 3.3 mil. (+ 2%). Significant items included, in particular, deferred tax liabilities (EUR 84,8 mil.) and trade liabilities (EUR 57.4 mil.).

With effect from 1 January 2018, deferred income for connection fees is reported as liabilities arising from contracts. In 2019 these reached EUR 34.2 mil.

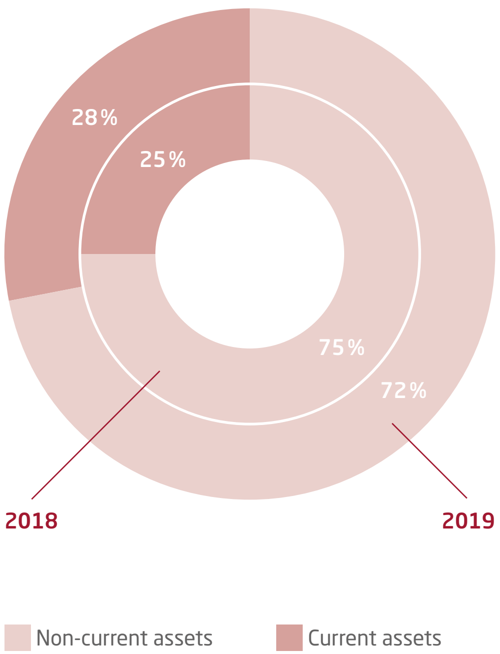
Long-term deferred revenues amounted to EUR 28.5 mil., representing 3% of the value of the assets cover, with a year to year increase by EUR 1.8 mil. (+ 7%). The most significant part of the revenues for the coming years are revenues associated with the relocation of power equipment (EUR 25.2 mil.).

In EUR mil.	2019	%	2018	%
Assets	**1,021.6**		**1,074.6**	
Non-current assets	771.3	75 %	774.1	72 %
Current assets	250.3	25 %	300.6	28 %
Liabilities	**1,021.6**		**1,074.6**	
Equity	790.6	77%	851.6	79 %
Long-term liabilities	104.8	10 %	106.0	10 %
Short-term liabilities	63.5	6 %	58.9	5 %
Liabilities arising from contracts - connection fees	34.2	3 %	31.3	3 %
Long-term deferred income	28.5	3 %	26.7	2 %

Structure of Liabilities



Structure of Assets



5 REPORT ON THE ACTIVITIES OF THE SUPERVISORY BOARD OF THE COMPANY FOR THE YEAR 2019

The Supervisory Board of the Company worked in the following structure during 2019:

Ing. Pavol Mertus	Chairman of the Supervisory Board
William Price	Vice-Chairman of the Supervisory Board
Ing. Marcela Kumštárová	Member of the Supervisory Board
Ing. Vladimír Macášek	Member of the Supervisory Board
PaedDr. Jozef Bojčík	Member of the Supervisory Board
Ing. Drahomír Múdry	Member of the Supervisory Board
Ing. Dušan Majer	Member of the Supervisory Board
Ing. Igor Pištík	Member of the Supervisory Board
Ing. Miroslav Martoník	Member of the Supervisory Board

In the year 2019, the Supervisory Board convened five times at its meetings – on 14 March 2019, 10 April 2019, 13 June 2019, 11 September 2019, and 12 December 2019. The Supervisory Board had a quorum at each meeting.

In the scope of its powers and in accordance with the Articles of Association and the Commercial Code, in 2019 the Supervisory Board:

(a) Adopted the following fundamental decisions:
- Approved the Report on Activities of the Supervisory Board for 2018;
- Approved the Opinion of the Supervisory Board on the draft audited ordinary individual financial statements prepared as at 31 December 2018 and on the proposal of profit distribution of the Board of Directors for 2018;
- Approved the relevant proposals of variable parts of remuneration of members of the Board of Directors in accordance with the applicable remuneration principles of members of the Board of Directors;
- Examined, within the meaning of Article XI (1) (h) of the Articles of Association, a proposal for the individual annual budget and business plan of the Company, including the proposal of the CAPEX plan for 2019.

(b) Noted, in particular:

- Relevant decisions of the sole shareholder in the year 2019;
- Information on basic objectives of the Company's business management, as well as on the expected development of assets, finances and revenues of the Company in accordance with Article 193 of the Commercial Code for the Supervisory Board for the year 2019;
- Statement of the Board of Directors for the members of the Supervisory Board for 2018 within the meaning of Article XII (21) (a) (ii) of the Articles concerning financial transactions carried out by the Company with related parties in which the value of any such transaction individually or the series of related transactions together exceed EUR 100,000, and the Company's transactions concluded under other than standard commercial conditions;
- Information on related party transactions for the relevant quarters of the year 2019;
- Report on the results of audits and inspections for 2018 and the audit and control plan for 2019;
- Information on economic results, including the development of CAPEX 2019 plan fulfilment for the relevant periods;
- TPS real cost comparison reports with the 2019 plan for the relevant periods;
- Information on pending lawsuits that may have a significant negative impact on the Company's economy;
- The Annual Report on the fulfilment of the Compliance Programme of the Company for 2018, and the Compliance Programme 2019;
- Information on the development of the investment project for the construction of a new 110/22 kV transformer substation in Nováky;

During 2019 the Supervisory Board did not request the Board of Directors of the Company to convene a General Meeting.

CONCLUSION:

Throughout the course of the whole period of the year 2019, the Supervisory Board fulfilled its controlling function properly pursuant to the Articles of Association of the Company and Article 197 and according to the Commercial Code.

The Supervisory Board did not discover any breach of the Articles of Association or valid legal provisions by the Board of Directors by performing the business activities of the Company.

This Report was approved by the Supervisory Board of the Company at its meeting held on 8 April 2020.

Ing. Pavol Mertus
Chairman of the Supervisory Board
Stredoslovenská distribučná, a.s.


34

6 PROPOSAL OF THE BOARD OF DIRECTORS FOR THE DISTRIBUTION OF PROFITS FOR THE YEAR 2019

	In EUR
Audited net profit for the year 2019	112,208,644.48
Allocation to social fund	0,00
Royalties for members of the Board of Directors and of the Supervisory Board	0,00
Part of the profit kept in equity on the account of Retained earnings of previous years	0,00
Net profit available for distribution of dividends to the shareholder	**112,208,644.48**

7 OPINION OF THE SUPERVISORY BOARD OF STREDOSLOVENSKÁ DISTRIBUČNÁ, A.S. ON THE ORDINARY INDIVIDUAL FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019 AND ON THE PROPOSAL FOR THE DISTRIBUTION OF PROFITS FOR THE YEAR 2019

The Supervisory Board of Stredoslovenská distribučná, a.s., at its meeting held on 8 April 2020, verified the Ordinary Individual Financial Statements of the Company as at 31 December 2019, including the report of the independent auditor KPMG Slovensko spol. s r.o., SKAU licence no. 96, dated 13 March 2020, and a proposal of the Board of Directors for the distribution of the Company's profit for the year 2019.

On the basis of the above mentioned, the Supervisory Board of Stredoslovenská distribučná, a.s., RECOMMENDS the Ordinary General Meeting of the company Stredoslovenská distribučná, a.s. to:

1. **Approve the Ordinary Individual Financial Statements of Stredoslovenská distribučná, a.s., as at 31 December 2019,**
2. **Approve the proposal for the distribution of profits of Stredoslovenská distribučná, a.s., for 2019 as follows:**

	In EUR
Audited net profit for the year 2019	112,208,644.48
Allocation to social fund	0,00
Royalties for members of the Board of Directors and of the Supervisory Board	0,00
Part of the profit kept in equity on the account of Retained earnings of previous years	0,00
Net profit available for distribution of dividends to the shareholder	**112,208,644.48**

Žilina, 8 April 2020

Ing. Pavol Mertus
Chairman of the Supervisory Board
Stredoslovenská distribučná, a.s.

8 REPORT ON FULFILMENT OF THE COMPLIANCE PROGRAMME OF STREDOSLOVENSKÁ DISTRIBUČNÁ, A.S. FOR THE YEAR 2019

REPORT ON FULFILMENT OF THE COMPLIANCE PROGRAMME OF THE COMPANY FOR THE YEAR 2019

Introduction:

Stredoslovenská distribučná, a.s. (hereinafter: the "Company"), having its registered office at Pri Rajčianke 2927/8, 010 47 Žilina, Reg. No. (IČO): 36 442 151, registered in the Commercial Register of the District Court in Žilina, Section Sa, Insertion no. 10514/L, founded in 2006, being the holder of electricity distribution license No. 2007E 0260 in full version issued by the Regulatory Office for Network Industries (hereinafter: the "Office"), is a distribution system operator and at the same time a part of a vertically integrated entity.

This report provides transparent information on the fulfilment of the legislative framework for such an organized Company in the field of transparent and non-discriminatory approaches to all customers and participants in the electricity market.

1. Legislative Framework

The legislative framework of the Compliance Programme is established by Directive 2009/72/EC of the European Parliament and of the Council, which was implemented in the Slovak Republic into Act No. 251/2012 Coll. – the Energy Act. This legislation sets out the rules for the internal electricity market.

The Compliance Programme is a document containing measures that ensure a non-discriminatory and transparent approach to all market participants by the distribution system operator (hereinafter: the "DS").

On the basis of the above mentioned, the DS operator is obliged to elaborate a report on the fulfilment of the "Compliance Programme", which is part of the "Annual Report" according to Article 31 par. 6 and Article 32 par. 8 b) of Act No. 251/2012 Coll. on Energy. It is also obliged, within the meaning of Article 20 of Act No. 431/2002 Coll. on Accounting, as amended, to publish a report on the implementation of the measures specified in the Compliance Programme.

2. The Compliance Programme in the Company

On the basis of the above-mentioned legislative standards for the Independent Position of a Distribution System Operator in a Vertically Integrated Company, the SSE Group provided the legal unbundling of distribution-system operation into a separate company, while the rights and obligations of the distribution system operator have been transferred to Stredoslovenská distribučná, a.s. At the same time, in 2005 the Board of Directors approved a binding internal document of the Compliance Programme which contains a list of measures aimed at ensuring the non-discriminatory behaviour of the distribution system operator. The Compliance Programme is updated on a regular basis for the respective year, while respecting all legislative changes.

In accordance with the aforementioned legal obligations, all obligations arising from current legislation, i.e. elaboration and approval of the new Compliance Programme of the Company, including the Action plan of measures and the appointment of a person required to ensure compliance in the company, were performed. With effect from 1 January 2013, the person required to ensure the compliance in the Company was appointed, thereby creating the appropriate institutional background for the implementation of the approved Compliance Programme of the Company.

In 2015 an update of the Compliance Programme was carried out as since 1 April 2014, an organizational change occurred in the Company which required new responsibilities to be taken into account in its structure.

3. Fulfilment of the Compliance Programme Measures during the Year 2019

Part of the Compliance Programme is the Action Plan of the Compliance Programme, which contains a list of measures for the relevant calendar year and is subject to an annual update. By implementing measures and monitoring their compliance, the appointed person is required to ensure compliance while addressing ad-hoc situations related to ensuring the non-discriminatory behaviour of the distribution system operator and the protection of confidential information. In addition, that person receives and solves incentives from the external and internal environment pointing to possible violation of the Compliance Programme's principles and updates the Action Plan of the Compliance Programme, if necessary, and proposes further measures.

The measures of the Action Plan of the Compliance Programme are focused on activities in the following areas:

• **Prevention:**

During 2019 prevention measures focused mainly on the increase of employee awareness in the field of the Compliance Programme.

Training for newly recruited staff was organized continuously.

In SSD 118 employees were trained (4 employees returned from maternity and parental leave, 35 employees with an agreement, 79 newly recruited employees).

In the SSE Holding, a.s. Group 106 employees were trained (of these: SSE, a.s. - 94, EEM, a.s. - 10 and SSE – Metrológia, s.r.o. – 6 employees).

• **Monitoring and control/audit**

Throughout the year 2019, the implementation of the change within the organizational structure of the Company continued. This process involved the implementation of new processes that passed from Stredoslovenská energetika Holding, a.s., and were also modified or new internal directives which were drafted. In terms of review, one corporate guideline and seven internal documents related to the operation of the distribution system were revised to ensure their implementation in accordance with Compliance Programme principles. At the same time, an inspection aimed at information security protection related to the operation of the distribution system against the access of unauthorized persons was carried out aimed at verifying access rights to distribution systems, contractual relations and disclosure of information. In terms of so-called "Compliance management", i.e. verifying each internal or external complaint related to the application of the Compliance Programme's principles by the Compliance officer, no complaint was addressed during 2019. Aside from that, the Compliance officer received, consulted and dealt with internal requests from employees related to their actions so as not to infringe on the rules ensuring non-discriminatory behaviour of the distribution system operator and the protection of confidential information. In 2019 we trained 206 employees in the area of unbundling.

- **Assessment and Reporting**

This area contains mainly the assessment of achieved objectives as related to the implementation of the Compliance Programme in the form of monthly reports and in the form of this Report included in the Annual Report of the Company and submitted to the RONI according to the valid legislation.

In conclusion, it may be stated that the tasks listed in the Action Plan were fulfilled in 2019.

28 January 2020

Author: **Ing. Ján Michalík, PhD.**
Compliance Officer

9 SPECIAL RELEVANCE EVENTS OCCURRING AFTER THE ACCOUNTING PERIOD FOR WHICH THE ANNUAL REPORT IS PREPARED

On 11 March 2020, the World Health Organization declared the SARS-CoV-2 outbreak and its COVID-19 disease a global pandemic, and the Government of the Slovak Republic declared a state of emergency on 16 March 2020. Since the health care of our employees and customers comes first, the Company has taken certain measures that do not limit the continuity of services provided by the Company.

As part of important events that occurred after the balance sheet date, the Company assessed the potential impact of the SARS-CoV-2 virus on the Company's business results for 2020 and its liquidity. The Company does not currently expect any significant impact on the amount of revenues or its liquidity, but this assumption may change in light of future developments.

At present the Company does not expect a significant loss in sales and no cancellation of contractual obligations has been communicated to the Company. Nevertheless, the Company has assessed the influence of the maximum loss in sales and its impact on planned management and liquidity.
On this basis of this, the Company has concluded that it has sufficient liquidity to cover the loss and to ensure the continuation of its business. As at 31 December 2019, the Company had positive working capital, and the current situation has not changed this. The Company is part of the cash management mechanism within the Stredoslovenská energetika Holding Group, thereby having access to the withdrawal of free cash within the Group to cover its operating costs and maintain financial stability.
In addition, the Company has liquid assets in the form of short-term receivables that are expected to be repaid in the near future. Therefore, the Company is able to fulfil its obligations and ensure continuity in cash flows under unchanged conditions.

In the opinion of the Company management, these factors support the argument that the Company will have sufficient resources to continue its business of electricity distribution. The management has come to the conclusion that the scope of possible results considered when adopting this assessment does not cause any material uncertainties related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

10 EXPENSES RELATED TO ACTIVITIES IN THE FIELD OF RESEARCH AND DEVELOPMENT

The Company did not have any expenses related to activities in the field of research and development in 2019.

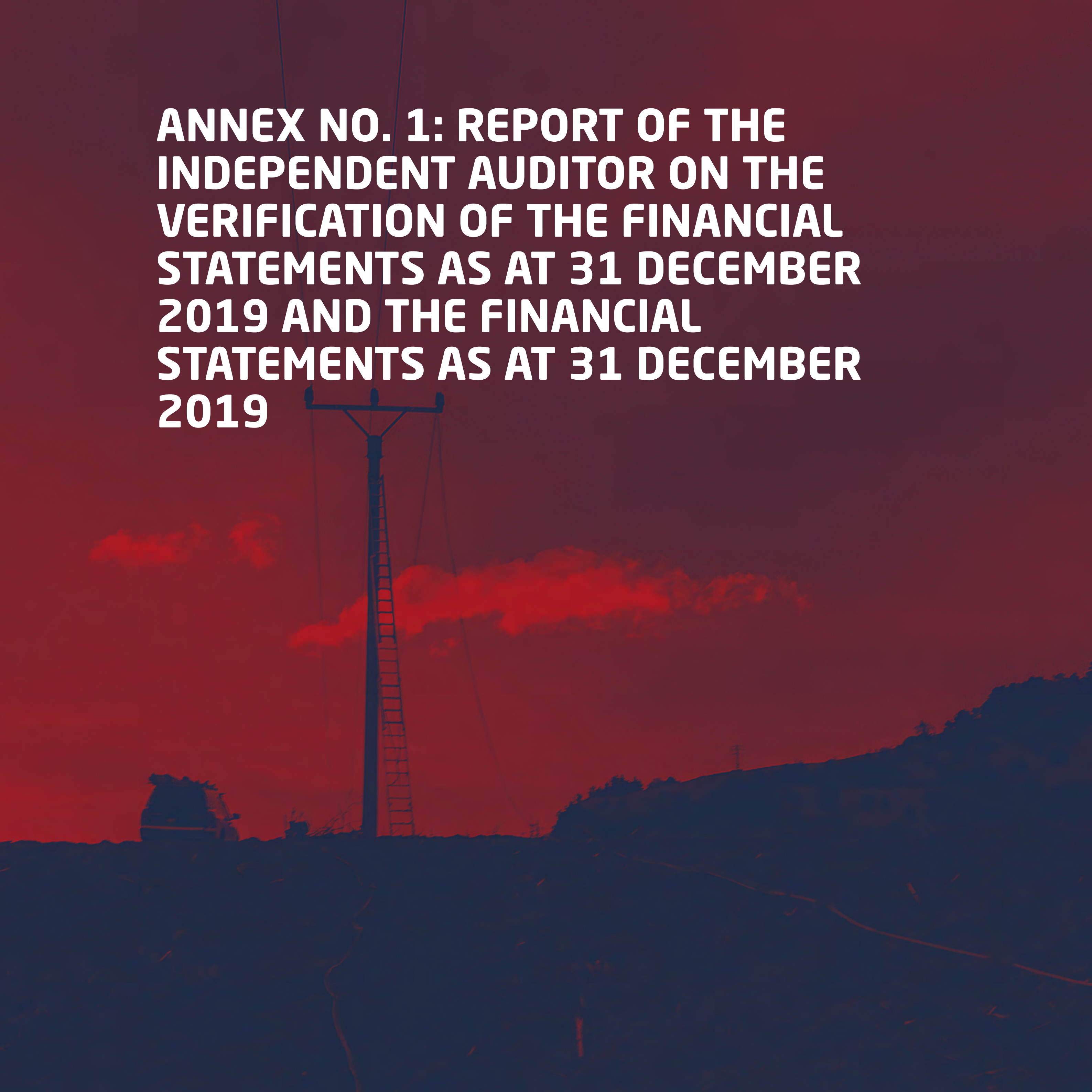
11 ACQUISITION OF OWN SHARES, TEMPORARY CERTIFICATES, BUSINESS SHARES AND STOCK

In 2019 the Company did not acquire any of its own shares, temporary stock, or business shares.

12 ORGANIZATIONAL UNITS OF THE ACCOUNTING ENTITY ABROAD

The Company has no branches abroad.

ANNEX NO. 1: REPORT OF THE INDEPENDENT AUDITOR ON THE VERIFICATION OF THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019 AND THE FINANCIAL STATEMENTS AS AT 31 DECEMBER 2019



KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
P. O. Box 7
820 04 Bratislava 24
Slovakia

Telephone: +421 (0)2 59 98 41 11
Fax: +421 (0)2 59 98 42 22
Internet: www.kpmg.sk

<u>Translation of the Appendix to the independent Auditors' Report originally prepared in Slovak language</u>

Appendix to the independent Auditors' Report issued on the Annual Report

pursuant to Article 27 (6) of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit")

To the Shareholder, Supervisory Board and Board of Directors of Stredoslovenská distribučná, a.s.

We have audited the financial statements of Stredoslovenská distribučná, a.s. ("the Company") as at 31 December 2019 presented in the annex of the accompanying Annual Report. We have issued an independent auditors' report on the financial statements on 13 March 2020 with the following wording:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stredoslovenská distribučná, a.s. ("the Company"), which comprise the statement of financial position as at 31 December 2019, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section. We are independent of the Company in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Statutory Body and Those Charged with Governance for the Financial Statements

The statutory body is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.

- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13 March 2020
Bratislava, Slovak Republic

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Ing. Branislav Prokop
License UDVA No. 1024

Report on Other Legal and Regulatory Requirements

Reporting on Information in the Annual Report

The statutory body is responsible for the information in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting"). Our opinion on the financial statements does not cover other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Annual Report of the Company, we consider whether it includes the disclosures required by the Act on Accounting.

Based on the work undertaken in the course of the audit of the financial statements, in our opinion:

- the information given in the Annual Report for the year 2019 is consistent with the financial statements prepared for the same financial year, except as set out in the Emphasis of a Matter section below,

- the Annual Report contains information according to the Act on Accounting.

In addition to this, in light of the knowledge of the Company and its environment obtained in the course of audit, we are required to report if we have identified material misstatement in the Annual Report that we have obtained prior to the date of this auditors' report. We have nothing to report in this respect.

Emphasis of a Matter

We draw attention to the section *Special Relevance Events Occurring after the Accounting Period for which the Annual Report is Prepared* in the attached annual report, where the Company assessed the possible impact of the SARS-CoV-2 virus and the related COVID-19 disease, taking into account the most current information in this regard as at the date of approval of the annual report by the Company's statutory bodies. Our opinion is not modified in respect of this matter.

8 April 2020
Bratislava, Slovak Republic

Slovenská komora audítorov
SKAU
Č. licencie 96
KPMG
Slovensko spol. s r.o.

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Ing. Branislav Prokop
License UDVA No. 1024


Stredoslovenská
distribučná

Stredoslovenská distribučná, a.s.

Independent Auditors' Report and Financial Statements as at 31 December 2019

Prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union

Translation note:
This version of the accompanying financial statements is a translation from the original, which was prepared in Slovak. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the financial statements takes precedence over this translation.

Stredoslovenská distribučná, a.s.

Financial statements as at 31 December 2019 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union were authorised for issue on 5 February 2020.

Ing. František Čupr, MBA
Chairman of the Board of Directors

Ing. Martin Kuna
Vice Chairman of the Board of Directors

Contents

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KPMG

KPMG Slovensko spol. s r. o.
Dvořákovo nábrežie 10
P. O. Box 7
820 04 Bratislava 24
Slovakia

Telephone: +421 (0)2 59 98 41 11
Fax: +421 (0)2 59 98 42 22
Internet: www.kpmg.sk

Translation of the Auditors' Report originally prepared in Slovak language

Independent Auditors' Report

To the Shareholder, Supervisory Board and Board of Directors of Stredoslovenská distribučná, a.s.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Stredoslovenská distribučná, a.s. ("the Company"), which comprise the statement of financial position as at 31 December 2019, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section. We are independent of the Company in accordance with the ethical requirements of the Act No. 423/2015 Coll. on statutory audit and on amendments to Act No. 431/2002 Coll. on accounting as amended ("the Act on Statutory Audit") including the Code of Ethics for an Auditor that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Statutory Body and Those Charged with Governance for the Financial Statements

The statutory body is responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as the statutory body determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

KPMG Slovensko spol. s r. o., a Slovak limited liability company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Obchodný register Okresného súdu Bratislava I, oddiel Sro, vložka č. 4864/B
Commercial register of district court Bratislava I, section Sro, file No. 4864/B

IČO/Registration number: 31 348 238
Evidenčné číslo licencie audítora: 96
Licence number of statutory auditor: 96

In preparing the financial statements, the statutory body is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the statutory body either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company´s financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the statutory body.

- Conclude on the appropriateness of the statutory body's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Reporting on Information in the Annual Report

The statutory body is responsible for the information in the Annual Report prepared in accordance with the Act No. 431/2002 Coll. on Accounting as amended ("the Act on Accounting"). Our opinion on the financial statements, mentioned above, does not cover other information in the Annual Report.

In connection with our audit of the financial statements, our responsibility is to read the Annual Report and, in doing so, consider whether the other information is materially inconsistent with the audited financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

The Annual Report was not available to us as of the date of this auditors' report.

When we obtain the Annual Report of the Company, we will consider whether it includes the disclosures required by the Act on Accounting, and, based on the work undertaken in the course of the audit of the financial statements, we will express an opinion as to whether:

- the information given in the Annual Report for the year 2019 is consistent with the financial statements prepared for the same financial year; and
- the Annual Report contains information according to the Act on Accounting.

In addition, we will report whether we have identified any material misstatement in the Annual Report in light of the knowledge and understanding of the Company and its environment that we have acquired during the course of the audit of the financial statements.

13 March 2020
Bratislava, Slovak Republic

Slovenská komora audítorov
SKAU
Č.licencie 96
KPMG
Slovensko spol. s r.o.

Auditing company:
KPMG Slovensko spol. s r.o.
License SKAU No. 96

Responsible auditor:
Ing. Branislav Prokop
License UDVA No. 1024

(All amounts are in thousands of EUR unless stated otherwise)

Statement of financial position

	Note	Balance as at 31 December 2019	2018
ASSETS			
Non-current assets			
Non-current tangible assets	5	757 922	759 279
Non-current intangible assets	6	13 386	14 784
		771 308	**774 063**
Current assets			
Inventories		2 749	2 099
Trade and other receivables	8	21 664	21 588
Income tax receivables		-	1 681
Receivables from the parent company (Cash Pooling)		83 795	176 947
Accrued income	9	138 248	97 832
Cash and cash equivalents	10	3 848	413
		250 304	**300 560**
Total assets		**1 021 612**	**1 074 623**
EQUITY			
Equity			
Share capital	11	499 835	499 835
Legal reserve fund	11	99 967	99 967
Non-monetary contribution from the parent company		3 401	3 401
Other parts of comprehensive income		(1 585)	(1 897)
Retained earnings		189 003	250 335
Total equity		**790 621**	**851 641**
LIABILITIES			
Non-current liabilities			
Trade and other liabilities	14	3 480	-
Liabilties to the parent company (loans)	15	7 500	10 000
Deferred tax liabilities	16	84 791	86 341
Non-current provisions	17	9 056	9 683
Non-current contractual liabilities	13	33 136	30 377
Non-current deferred income	12	28 547	26 744
		166 510	**163 145**
Current liablities			
Trade and other liabilities	14	57 357	54 749
Income tax liabilities		3 179	-
Liabilities to the parent company (loans)	15	2 500	3 897
Current contractual liabilities	13	1 021	924
Current provisions	17	424	267
		64 481	**59 837**
Total liabilities		**230 991**	**222 982**
Total equity and liabilities		**1 021 612**	**1 074 623**

(All amounts are in thousands of EUR unless stated otherwise)

Income statement

	Note	Year ended 31 December 2019	2018
Revenue	18	515 221	430 666
Purchases of electricity, system and other related fees	20	(258 678)	(268 081)
Personnel expenses	22	(40 510)	(37 662)
Depreciaton and impairment allowances for non-current tangible and intangible assets	5, 6	(57 695)	(59 501)
Material and energy consumption		(5 489)	(5 790)
Capitalisation		10 288	10 223
Other operating income	19	5 911	5 301
Other operating expenses	21	(22 007)	(21 121)
Operating profit		**147 041**	**54 035**
Interest expenses	23	(372)	(404)
Net other financial expenses	23	(4)	(4)
Net financial expenses		(376)	(408)
Profit before tax		**146 665**	**53 627**
Income tax	24	(34 456)	(13 524)
Profit for the period		**112 209**	**40 103**

Statement of comprehensive income

	Note	Year ended 31 December 2019	2018
Profit for the period		**112 209**	**40 103**
Other parts of comprehensive income			
Actuarial gain	17	395	(181)
Deferred tax		(83)	38
Total other parts of comprehensive income		312	(143)
Comprehensive income for the period		**112 521**	**39 960**

(All amounts are in thousands of EUR unless stated otherwise)

Statement of changes in equity

	Share capital	Legal reserve fund	In-kind contribution from the parent company	Retained earnings	Actuarial (loss) from long-term employee benefits, net of tax	Total equity
Balance as at 1 January 2019	**499 835**	**99 967**	**3 401**	**250 335**	**(1 897)**	**851 641**
Profit for the year ended 2019	-	-	-	112 209	-	112 209
Other parts of comprehensive income	-	-	-	-	312	312
Dividends	-	-	-	(173 541)	-	(173 541)
Balance as at 1 December 2019	**499 835**	**99 967**	**3 401**	**189 003**	**(1 585)**	**790 621**
Balance as at 1 January 2018	**499 835**	**99 967**	**3 401**	**210 232**	**(1 754)**	**811 681**
Profit for the year ended 2018	-	-	-	40 103	-	40 103
Other parts of comprehensive income	-	-	-	-	(143)	(143)
Balance as at 1 December 2018	**499 835**	**99 967**	**3 401**	**250 335**	**(1 897)**	**851 641**

(All amounts are in thousands of EUR unless stated otherwise)

Statement of cash flows

	Note	Year ended 31 December 2019	2018
Profit before tax		146 665	53 627
Adjustments for:			
Depreciation and amortisation	5, 6	57 826	59 731
Gain from sale of non-current tangible assets		(169)	(69)
Change in impairment allowance for non-current assets		(131)	(230)
Change in impairment allowance for recievables	8	222	165
Change in provisions	17	124	876
Net interest expenses	23	372	404
Operating profit before change in working capital		**204 909**	**114 504**
Changes in working capital:			
Decrease / (Increase) in trade receivables and accrued income	8, 9	52 594	(35 875)
(Increase) / Decrease in inventories		(650)	38
Increase / (Decrease) in payables and deferred income	12, 14	1 996	(402)
Cash flows from operating activities		**258 849**	**78 265**
Cash flows from operating activities			
Cash from operating activities		258 849	78 265
Interest paid	23	(383)	(422)
Income tax paid		(31 229)	(29 033)
Net cash flows from operating activities		**227 237**	**48 810**
Cash flows from investing activities			
Purchase of non-current tangible and intangible assets	5, 6	(45 603)	(48 074)
Proceeds from sale of non-current assets		363	874
Net cash used in investing activities		**(45 240)**	**(47 200)**
Cash flows from financing activities			
Repayment of loans from parent company		(3 897)	(3 844)
Lease payments - principal	5	(1 124)	-
Dividends paid	11	(173 541)	-
Net cash used in financing activities		**(178 562)**	**(3 844)**
Net increase (+) / decrease (-) in cash and cash equivalents		3 435	(2 234)
Cash and cash equivalents as at the beginning of the period		413	2 647
Cash and cash equivalents as at the end of the period		**3 848**	**413**

1 General information

Trade name and registered address

Stredoslovenská distribučná, a.s.
Pri Rajčianke 2927/8
Žilina 010 47

Registration number (IČO): 36442151
Tax registration number (DIČ): 2022187453
Tax registration number for VAT purposes (IČ DPH): SK2022187453

Stredoslovenská distribučná, a.s. (hereafter referred to as the "Company" or "SSD, a.s."), was established under the business name Stredoslovenská energetika – Distribúcia, a.s. on 22 March 2006, and was registered in the Commercial Register on 8 April 2006 (Commercial register of the District court Žilina, Section Sa, Insert No. 10514/L). With effect from 1 March 2018, the business name of the Company was changed to Stredoslovenská distribučná, a.s.

The Company was established to comply with legal requirements, to unbundle the distribution business from other commercial activities of integrated electricity companies, established by European directive 2003/54 on common rules for the internal market in electricity. The directive was transferred into Slovak legislation by the Act on energy (656/2004), issued in 2004. The Act prescribed legal unbundling of distribution activities, by 30 June 2007 at the latest. The company Stredoslovenská energetika, a.s. carved out those parts of its business that conducted principal distribution activities, revalued items of assets and liabilities to fair value, and contributed them to the Company. On 1 July 2007, the Company started to provide distribution of electricity as its core business activity.

Main business activities of the Company

- Distribution of electricity
- Engineering and related technical consultancy
- Rental of electrical devices
- Realisation and revision of construction
- Projects with, and construction of, electrical devices
- Repair, revision and testing of technical electrical devices in the groups S, O (OU, R, M) – E1 - A
- Assembly and repair of selected electrical gauges
- Assembly and repair of regulative technology

The Company is one of the largest electrical distribution companies in the Slovak Republic and operates within the regions of Žilina, Trenčín and Banská Bystrica. The Company's main business activity is electricity distribution, to all customers connected to the distribution system of SSD, a.s., in the following sectors:

- Low voltage
- High voltage
- Very high voltage

The main activity of the Company is distribution of electricity, which is usually invoiced to final customers by the electricity supplier (e.g. the sister company Stredoslovenská energetika, a.s., or other suppliers), mostly in the form of an integrated contract (the price of electricity invoiced to the final customer includes the distribution fee).

The Company's operations are governed by the terms of its license, granted under the Energy Law ("the Energy License"). The Regulatory Office of Network Industries of the Slovak Republic ("ÚRSO") regulates all aspects of the Company's relationships with its customers, including pricing.

The structure of the Company's shareholders as at 31 December 2019 is as follows:

	Absolute amount in thousands of EUR	Ownership interest %	Voting rights %
Stredoslovenská energetika Holding, a.s.	499 835	100	100
Total	**499 835**	**100**	**100**

The Company is a subsidiary of Stredoslovenská energetika Holding, a.s., which owns 100% of its registered capital. Effective from 1 January 2019, the parent company changed its business name from Stredoslovenská energetika, a.s. to Stredoslovenská energetika Holding, a.s. The company Stredoslovenská energetika Holding, a.s. prepares consolidated financial statements and is an immediate consolidating company.

Stredoslovenská energetika Holding, a.s. is a subsidiary of EP Energy, a.s., based in Pařížská 130/26, Josefov, 110 00, Praha 1, Czech Republic, IČO: 29 259 428, registered in the Commercial register of the Municipal court in Praha, Section B, file No. 21733, Czech Republic, which owns a 49% share in the registered capital of the parent company (until 26 May 2014 owned by EPH Financing II, a.s.), and has managerial control.

The Ministry of Economy of the Slovak Republic, based in Mlynské Nivy 44/a, 827 15 Bratislava 212, owns a 51% share in the registered capital of the parent company, from 1 August 2014 (the National Property Fund of the Slovak Republic owned this 51% shareholding until 1 August 2014).

The consolidated financial statements of Stredoslovenská energetika Holding, a.s. are available at the registered address of the parent company in Žilina, Pri Rajčianke 8591/4B, and are filed in the Commercial Register of the District Court Žilina. These financial statements are included into consolidated financial statements of the largest group of accounting entities, which are prepared by EP Investment S.à.r.l., 39, Avenue John F. Kennedy, L-1855 Luxembourg. Its consolidated financial statements for 2019 are available at the registered office of EP Investment S.à r.l. The address of the registration court maintaining the Commercial register where these consolidated financial statements are deposited is Luxembourg Business Registers G.I.E., 14 Rue Erasme L-1468 Luxembourg, R.C.S. Luxembourg C24.

Unlimited liabilities

The Company is not a shareholder with unlimited liabilities in other entities.

Date of approval of the financial statements for the previous accounting period

On 27 June 2019, the General Meeting approved the Company's financial statements for the previous accounting period, ending 31 December 2018.

Publishing of financial statements for the preceding accounting period

The financial statements of the Company, as at 31 December 2018, and the Auditors´ report on the audit of the financial statements, were filed and published in the Register of financial statements on 28 March 2019. The annual report and supplement to the independent auditors' report, as at 31 December 2018, was filed in the Register of financial statements on 28 June 2019.

Appointment of auditor

On 27 June 2019, the Company's General Meeting approved KPMG Slovensko spol. s r.o. as auditor of the financial statements, for the year ended 31 December 2019.

The Company's bodies

The list of members of the Company's Board of Directors and Supervisory Board is publicly available in the Commercial register, operated by the Ministry of Justice of the Slovak Republic, at www.orsr.sk.

Average number of employees

In 2019, the average number of employees of the Company was 1 308 (2018: 1 294), 9 of which were managers (2018: 9).

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

2.1 Basis for preparation of the financial statements

Legal reasons for preparing the financial statements:

The Company's financial statements, as at 31 December 2019, have been prepared as ordinary financial statements, under § 17 Sec. 6 of Slovak Act No. 431/ 2002 Coll. ("the Act on Accounting"), for the accounting period from 1 January 2019 to 31 December 2019.

The Slovak Act on Accounting requires the Company to prepare financial statements for the year ended 31 December 2019, in accordance with International financial reporting standards as adopted by the European Union ("IFRS EU").

These financial statements have been prepared in accordance with IFRS as adopted by the EU. The Company applies all IFRS standards issued by the International accounting standards board ("IASB") and interpretations issued by the International financial reporting interpretation committee ("IFRIC") as adopted by EU, which were in force as at 31 December 2019.

The financial statements have been prepared under the historical cost measurement basis.

The financial statements were prepared on accrual basis and under the going concern principle.

The Board of Directors of the Company can propose amendments to the financial statements, until their approval by the General Assembly. If, after approval of the financial statements, management identifies comparative information that is not consistent with the current period, the IFRS EU allows for changes to comparative information, covering the period when relevant facts are obtained.

Preparation of the financial statements in conformity with IFRS EU requires the use of certain significant accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies on complex transactions. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

These financial statements are prepared in thousands of euro ("EUR"), unless stated otherwise.

Changes in accounting policies

IFRS 16 supersedes IAS 17 Leases and related interpretations. The Company initially applied IFRS 16 on 1 January 2019, using a modified retrospective approach, with the value of initially recognised assets equal to the value of relevant lease liabilities. The standard had no impact on the Company's equity as at 1 January 2019. The accounting standard is applied without changes to prior period data.

(All amounts are in thousands of EUR unless stated otherwise)

The new Standard introduces a number of limited scope exceptions for lessees which include:

- Leases with a lease term of 12 months or less and containing no purchase options
- Leases where the underlying assets have a low value (so called small-ticket leases).

The introduction of the new standard has an impact on the previously recognised operating lease. The standard eliminates the dual tenant accounting model under IAS 17, removing the distinction between operating leases and finance leases. Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of identified assets for a period of time, in exchange for consideration. For such contracts, the new model requires a lessee to recognise right-of-use assets and lease liabilities. The right-of-use assets are depreciated, and the liabilities accrue interest. To measure lease liabilities (determining present value of lease payments) that were previously recognised as operating leases, as at 1 January 2019, the Company used an average weighted discount rate (determined as the lessor's incremental borrowing rate) of 1.82%.

Adoption of IFRS 16 did not have an impact on the opening balance of retained earnings, as at 1 January 2019.
On transition to IFRS 16, the Company elected to apply several practical exemptions, in accordance with IFRS 16:

- Application of a single discount rate to portfolios of leases with similar characteristics
- For leases with less than 12 months of lease term from the date of initial application (from 1 January 2019), the Company recognises such leases as short-term leases within operating expenses on a straight-line basis over the lease term
- Exclusion of initial direct costs for the lessee, from measuring right-of-use assets at the date of initial application
- Use of hindsight when determining the lease term (e.g. when assessing if the contract contains options to extend or early terminate the lease).

Impact of the initial application of IFRS 16 on the Statement of financial position, as at 1 January 2019, was as follows:

Recognition of right-of-use assets from leases as non-current tangible assets	4 548
Recognition of lease liabilities within long-term trade liabilities	4 548
Impact on equity as at 1 January 2019	-

For the year ended 31 December 2019, the Company reported depreciation in the amount of EUR 1 156 thousand, and interest expenses from lease liabilities in the amount of EUR 79 thousand. The application of the standard also reduced operating expenses by EUR 1 203 thousand.

Lease liabilities not recognised in the Statement of financial position, as at 31 December 2018, reconciled to lease liabilities, as at 1 January 2019, are shown in the following table:

Operating lease liabilities not recognised, as at 31 December 2018	5 397
Operating lease liabilities discounted at interest rate of 1.82% at initial application, as at 1 January 2019	5 016
Short-term leases up to 12 months, recognised on a straight-line basis over the lease term	(122)
Lease of low-value assets, recognised on a straight-line basis over the lease term	(346)
Lease liabilities recognised as at 1 January 2019	4 548

Additional information regarding accounting policies of lease recognition are described in Note 2.10.

New standards and interpretations not yet adopted

Standards, interpretations, and amendments to published standards, that are not yet effective for the financial year beginning 1 January 2019, have not been applied in preparing these financial statements.

Amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policies, changes in accounting estimates and errors

Effective for annual periods beginning on or after 1 January 2020.

The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The Company does not expect the amendments to have a significant impact on the financial statements when initially applied.

The Company does not plan to apply the new standards, amendments to standards and interpretations before the effective date. All new standards, amendments to standards and interpretations relevant to the Company will be applied by the Company when they become effective.

Amendments to IFRS 10 and IAS 28 Sales or contributions of assets between an investor and its associate or joint venture

The European Commission has decided to postpone adoption of the amendments for an indefinite period.

The amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- A full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- A partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The Company does not expect the amendments to have any significant impact on the financial statements when they are first applied, as the Company has no subsidiaries, associates or joint ventures.

IFRS 17 Insurance contracts

Effective for annual periods beginning on or after 1 January 2021 and should be applied prospectively. Earlier application is allowed.

IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches.

IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values, instead of historical cost.

The Company does not expect the standard to have a significant impact on the Company's financial statements when it is first applied, as the Company does not operate an insurance business.

Amendments to IFRS 3 Business Combinations

Effective for annual periods beginning on or after 1 January 2020.

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Company does not expect the amendments to have a significant impact on the financial statements when initially applied.

Amendments to IFRS 9, IAS 39 and IFRS 7 Interest rate benchmark reform

Effective from 1 January 2020. An earlier application is allowed.

The amendments address issues affecting financial reporting in the period leading up to IBOR reform, are mandatory and apply to all hedging relationships directly affected by uncertainties related to IBOR reform.

All companies with hedges affected by IBOR reform are required to:

- Assume that the interest rate benchmark on which hedged cash flows are based is not altered as a result of IBOR reform when assessing whether the future cash flows are highly probable. Also, for discontinued hedging relationships, the same assumption is applied for determining whether the hedged future cash flows are expected to occur.
- Assess whether the economic relationship between the hedged item and the hedging instrument exists based on the assumptions that the interest rate benchmark on which the hedged item and the hedging instrument are based is not altered as a result of IBOR reform.
- Not discontinue a hedging relationship during the period of uncertainty arising from IBOR reform solely because the actual results of the hedge are outside the range of 80-125%.
- Apply the separately identifiable requirement only at the inception of the hedging relationship. A similar exception is also provided for redesignation of hedged items in hedges where dedesignation and redesignation take place frequently – e.g. macro hedges.

The Company does not expect that the amendments will have a significant impact on the financial statements when initially applied.

2.2 Foreign currency translation

(i) Functional and presentation currencies

Items included in the financial statements are presented in EUR, which is the currency of the primary economic environment in which the company operates (“the functional currency”).

(ii) Transactions and balances in the Statement of financial position

Transactions denominated in foreign currencies are translated to euro, as at the date of the accounting transaction, by the reference exchange rate determined and declared by the European Central Bank (“ECB”) or National Bank of Slovakia (“NBS”), as at the date preceding the date of transaction.

Financial assets and liabilities denominated in foreign currencies are translated to euro at the reporting date, according to the reference exchange rate determined and declared by the ECB or the NBS, as at the reporting date, and recorded with an impact on profit or loss.

Non-financial assets and liabilities, advance payments made, and advance payments received, denominated in foreign currencies, are translated to euro as at the date of the accounting transaction, by the reference exchange rate determined and declared by the ECB or the NBS, as at the date preceding the date of transaction.

2.3 Non-current tangible assets

Non-current tangible assets are measured at cost, less accumulated depreciation and accumulated impairment losses.

(i) Acquisition costs

Acquisition costs include expenditures which are directly attributable to the acquisition of assets. Borrowing costs are capitalised if they meet the criteria of IAS 23, as part of acquisition cost, otherwise borrowing costs are expensed as incurred.

Self-constructed, non-current tangible assets are valued at their conversion cost. Conversion cost includes all direct costs from production or other activities, and indirect costs related to production or other activities.

Subsequent expenditures are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other expenditures on repairs and maintenance are charged to the Income statement in the period in which they incurred.

(ii) Depreciation

The depreciation of non-current tangible assets starts in the month that they are available for use. Non-current tangible assets are depreciated in line with the approved depreciation plan, using the straight-line method. Monthly depreciation is determined as the proportion of the depreciable amount, divided by the estimated useful life of non-current tangible assets. The depreciable amount is the cost, less the expected value at the time the assets are disposed of.

The estimated useful lives of individual groups of assets in 2019 and 2018 were as follows:

Buildings, halls, structures of distribution network	10 – 70 years
Distribution network (technological part), equipment and vehicles	4 – 45 years
Other non-current tangible assets	5 – 15 years

Estimated value at time of disposal, and estimated useful life of non-current tangible assets, are reviewed and adjusted as at the balance sheet date where necessary.

Land and assets under construction in tangible assets are not depreciated.

The expected value at the time of disposal of an asset is its expected selling price, less selling expenses, if the asset has the expected age and characteristics which are expected at the end of its useful life. The carrying amount of an asset is equal to zero, or its disposal value, if the Company expects to use the asset until the end of its useful life.

Each part of an item of non-current tangible asset, whose value is significant in relation to the total value of the asset, is depreciated separately. The Company allocates the amount initially allocated to the non-current tangible asset item to its significant parts and depreciates each part separately.

The carrying amount of an asset is reduced immediately to its recoverable amount, if the carrying amount of the asset is higher than its estimated recoverable amount (Note 2.5).

Assets that are worn out or disposed of are derecognised from the Statement of financial position, along with appropriate accumulated depreciation and provisions. Disposal gains and losses are determined by comparing the proceeds to their carrying amount and are recognised in operating profit or loss.

2.4 Non-current intangible assets

Non-current intangible assets are measured upon acquisition at cost. Non-current intangible assets are recognised when it is probable that future economic benefits associated with the assets will flow to the Company, and the costs can be measured reliably. Upon subsequent measurement, non-current intangible assets are carried at cost, less accumulated amortisation and impairment losses. Interest expenses, if they meet the criteria of IAS 23, are capitalised as part of costs, or otherwise expensed in the relevant period. The Company has no non-current intangible assets with indefinite useful lives. Non-current intangible assets are amortised on a straight-line basis over their useful lives, which do not exceed 20 years, except for easements.

Amortisation of non-current intangible assets starts in the month in which they are put into use, in accordance with the approved amortisation plan, using the straight-line method.

Monthly amortisation is determined as the proportion of depreciable value and estimated useful life of the assets. The amortisation amount is the cost, less any residual value at the time the assets are disposed of.

Residual value of non-current intangible assets is expected to be zero if:

- There is no obligation on the third party to purchase the assets at the end of their economic life, or
- There is no active market for the assets, the residual value cannot be determined by comparison with that market, and it is unlikely that such a market will exist at the end of the economic life of the assets.

Expenditures related to maintenance of computer programs is considered as an expense when incurred.

Expenditures which improve or enhance performance of computer programs over their original characteristics, and which meet the criteria in IAS 38 for recognition as non-current intangible assets, are reported as technical improvements, and added to original costs of the software. Each part of non-current intangible assets, whose value is significant in relation to the total value of the asset, is depreciated separately. The Company allocates the amount, initially allocated to non-current intangible assets to its significant parts and depreciates each part separately.

2.5 Impairment of non-financial assets

Non-current intangible assets with indefinite useful lives and non-current intangible assets not yet in use, are not depreciated, and are tested annually for impairment. Non-financial assets (except deferred tax assets and inventories) are tested for impairment when events or changes in conditions indicate that the carrying amount is higher than the recoverable amount. If there is objective evidence of impairment, the recoverable amount is estimated. An impairment loss is recognised in the Income statement, at the amount that the carrying amount of the assets or cash-generating unit exceeds its recoverable amount. The recoverable amount is either the fair value less selling costs, or the value in use, whichever is higher.

For the purpose of determining impairment, assets are categorised at the lowest level for which separate cash flows exist. For non-financial assets other than goodwill which was impaired, the possibility of impairment loss reversal or cancellation is reviewed as at each reporting date.

2.6 Financial instruments

Trade receivables and issued debt securities are initially recognised on the date that they are originated. All other financial assets and financial liabilities are recognised initially in the Statement of financial position, on the date when the Company becomes a contract party to the agreements which include said financial instruments.

Financial assets (except for trade receivables which do not contain a significant financial component) or financial liabilities are initially recognised at fair value, increased by costs related to the acquisition or issue of the financial instruments (except for items measured at fair value through profit or loss (FVTPL)), less acquisition costs or expenses related to issue. Trade receivables which do not contain a significant financial component are initially recognised at transaction value.

2.7 Financial assets

The Company initially classifies its financial assets into the following categories:
- Amortised costs
- At fair value through other comprehensive income (FVOCI)
- At fair value through profit or loss (FVTPL)

Financial assets are not reclassified subsequent to their initial recognition, unless the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions, and is not designated as at FVTPL:
- It is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- Its contractual terms give rise on specified dates to cash flows, that are solely payments of principal and interest on the outstanding principal.

For equity instruments not held-for-trading, the Company may irrevocably decide that subsequent changes in fair value (including foreign exchange gains and losses) will present a comprehensive result in other components. They may not be reclassified to profit or loss under any circumstances.

All financial assets, not classified at amortised cost or FVOCI, are measured at FVTPL. This includes all derivative financial assets.

Subsequent measurement and gains and losses
- Amortised cost – the assets are subsequently measured at amortised cost using the effective interest method, reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment are recognised in profit or loss.
- FVTPL – the assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
- Equity investments at FVOCI – the assets are subsequently measured at fair value. Dividends received are recognised in profit or loss. Other net gains and losses are recognised in OCI and are not reclassified to profit or loss.

2.8 Financial liabilities

Financial liabilities are initially measured at amortised cost or FVTPL. The Company assigns a financial liability to FVTPL if it is held-for-trading, it is a derivative instrument, or it is included in FVTPL at initial recognition. When a financial liability is initially recognised in FVTPL, the Company measures it at fair value, and net gains and losses, including interest expenses, are recognised in profit or loss.

Other financial liabilities are after the initial recognition valued at amortised cost using the effective interest method. Interest expenses, and foreign exchange gains and losses, are recognised in profit or loss. Any gains and losses arising on derecognition are recognised in profit or loss.

The Company has the following non-derivative financial liabilities: loans and borrowings, trade and other payables.

Derecognition of financial instruments

The Company derecognises financial assets when:

a) The assets have been paid back, or rights for investment cash flows have expired, or
b) The Company has transferred the rights to cash flows of the investment, or has entered into a transfer agreement, thereby
   (i) transferring substantially all risks and potential gains inherent in the ownership or
   (ii) has not transferred or retained substantially all risks and potential gains of ownership, without retaining control. It will retain control if the counterparty does not have a realistic opportunity to sell the assets as a whole to an unrelated third party, without additionally restricting the sale.

Financial liabilities (or parts thereof) are derecognised from the Company's Statement of financial position if they are extinguished, i.e. when obligations specified in the contract are discharged, cancelled or expire. The difference between the carrying amount of disposed financial assets and consideration paid is recognised in profit or loss.

Offsetting

Financial assets and liabilities are presented in the Statement of financial position on a net basis, if the Company has a right to offset the amounts, and it intends to either settle them on a net basis, or to realise the assets and settle the liabilities simultaneously.

The Company does not hold any other financial assets measured at FVOCI, or at FVTPL, other than equity investments.

2.9 Impairment of financial assets

The "expected credit loss" model (ECL) means that a loss event will no longer need to occur before an impairment allowance is recognised. This impairment model is applied to financial assets measured at amortised cost or FVOCI (except for investments in equity instruments), and to contractual assets.

Financial assets measured at amortised cost, using the effective interest rate method, comprise trade and other receivables, cash and cash equivalents, and a loan provided to a related party.

Under IFRS 9, impairment allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs which result from possible default events within the 12 months after the reporting date, and
- Lifetime ECLs: these are ECLs resulting from all possible default events over the expected life of a financial instrument.

In determining whether the credit risk of a financial asset has increased significantly since its initial recognition, and in calculating the ECL, the Company uses appropriate supporting information that has been assessed as appropriate, and available to the Company without incurring disproportionate costs or efforts to obtain it. This includes both quantitative and qualitative information, and analyses based on the Company's historical experience and credit risk assessment, including information on future potential developments.

The Company considers financial assets impaired if:

- It is unlikely that a borrower will pay its obligations to the Company in their entirety, without the Company taking an action, such as realising the collateral; or
- Financial assets are overdue.

Lifetime ECLs are ECLs which result from all possible impairments over the expected life of a financial asset. The maximum period for ECL estimate is the contractual period during which the Company is exposed to credit risk.

Valuation of ECLs

ECLs are estimates calculated as weighted average of impairment probabilities, and credit loss realisations. Credit losses are measured at the present value of all cash shortfalls, i.e. the difference between cash flows due to the Company in accordance with the contract, and the cash flows that the Company expects to receive.

ECLs are not discounted, as they do not contain any significant financial component.

Impairment losses

Impairment losses related to trade and other receivables are recognised in profit or loss.

An impairment loss is reversed if the reversal can be objectively attributed to an event that occurs after an impairment loss is recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

The initial application of IFRS 9 had no material impact on the financial statements. The Company has exercised the option under clause 7.2.15 of IFRS 9, and has not changed the classification or measurement of financial assets, including impairment allowances, in accordance with IFRS 9.

The carrying amount of receivables are reduced through the use of an allowance account. Creation and release of impairment allowances are reported in other operating expenses in the Income statement. Unrecoverable receivables are written off. Receivables repaid by debtors, previously written off, are recognised in the Income statement in other operating income. The manner in which the Company recognises revenue is disclosed in Note 2.19.

2.10 Leases - IFRS 16

When entering into a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time, in exchange for consideration. The Company considers a contract to be a lease in where all following conditions are met:

- An identifiable asset exists, specified explicitly or implicitly, and
- A lessee has the right to obtain substantially all economic benefits from use of the asset, and
- A lessee has the right to direct use of the assets.

This policy is applied to contracts commenced on or after 1 January 2019.

The Company exercised the exemption and applied the new IFRS 16 to all contracts it concluded before 1 January 2019 and identified them as leases under IAS 17 and IFRIC 4. This means that the Company does not reassess leases which have been classified as leases under IAS 17, whether they meet the new definition of leasing under IFRS 16.

Upon initial recognition, and subsequent revaluation of a lease contract which includes a lease component, the Company assigns the contractually agreed consideration to each lease component on a pro rata basis, if agreed separately. The Company separately recognises leasing and non-leasing components in the lease of vehicles, land and property. For the lease of land, property and other assets, the Company does not account for both the leasing and non-leasing components separately but considers them as one leasing component.

Leased assets (the Company as a lessee)

The Company recognises right-of-use assets and lease liabilities at the commencement of lease. Initial value of right-of-use assets is determined as the sum of the initial value of lease liabilities, lease payments made before or on the commencement date of the lease, and initial direct costs to the lessee, less any lease incentives received.

In determining lease term, the length of agreed lease term, as well as the possibility of early termination or prolongation are considered. In assessing probability of exercising the option to extend or prematurely terminate lease terms, the Company takes into account all relevant facts and circumstances that provide economic incentives to exercise (or not exercise) these options. The length by which contracts can be renewed (or the length following the possibility to terminate contracts early) are included in lease terms only if the Company is certain that prolongation will be exercised.

Right-of-use assets are depreciated on a straight-line basis over the lease term, from commencement to termination. If leases involve a transfer of ownership or a call option, right-of-use assets are depreciated on a straight-line basis over the useful life of assets. Depreciation begins on the date of commencement. Assessment of possible impairment to right-of-use assets is carried out in a similar way to impairment assessment of non-financial assets, as described in Note 2.5 Impairment of non-financial assets.

Lease liabilities are initially measured on the date when leased assets are made available to the lessee (lease commencement date). Lease liabilities are initially valued at the present value of lease payments over the lease term that were not paid at the initial measurement, using the discount rate, which is the incremental borrowing rate. Lessee's incremental borrowing rate is determined on the basis of available financial information relating to the Company. Subsequent revaluation of lease liabilities is made in the event of changes to contractual terms (e.g. a change in lease terms due to an option to extend or prematurely terminate contracts, a change in lease payment based on exercise of the call options, etc.). Any subsequent reassessment of lease liabilities will also affect the valuation of right-of-use assets. If this leads to negative values for right-of-use assets, remaining impacts are recognised with in profit or loss (so the resulting right-of-use assets will be recognised at nil). During the accounting period, the Company did not recognise revaluation of lease liabilities due to the above changes.

The Company has exercised an optional exemption and does not recognise right-of-use assets or lease liabilities, for all types of lease contracts, with a lease term of 12 months or less. The costs associated with these leases are recognised in the financial statements as operating expenses, on a straight-line basis over the lease term.

The Company has also exercised an optional exemption and does not report right-of-use assets or lease liabilities, in lease contracts where the value of leased assets is clearly less than USD 5 000. The estimated value of assets are based on the assumption that they are new assets. If the value of assets cannot be reliably determined, the optional exemption is not applied to such leases.

In the Statement of financial position, the Company recognises right-of-use assets under non-current tangible assets, and lease liabilities under long-term and short-term trade and other payables. In addition, the Company recognises lease transactions in the Statement of cash flows as follows:

- Principal payments relating to lease liabilities in cash flows from financing activities
- Interest payments on lease liabilities in cash flows from operating activities
- Payments for short-term leases, lease of low-value assets, and payments for variable parts of leases, which are not included in the measurement of lease liabilities, in cash flows from operating activities

Leases – IAS 17 (comparative period)

IAS 17 defines a lease as a contract whereby the lessor grants the lessee, in exchange for a payment or a series of payments, the right-of-use assets for an agreed period.

Lease of assets, where the lessor bears a significant proportion of the risks and rewards of ownership, is classified as an operating lease with the lessee. Payments made under operating leases (after deducting discounts from the lessor) are recognised on a straight-line basis in the Income statement over the lease term.

The Company has no financial leases.

2.11 Inventories

Inventories are valued at the lower of either cost or net realisable value. Values of inventories are recalculated using the weighted arithmetic average method. Costs include all acquisition costs, such as customs and shipping, net of returns, discounts and rebates. Net realisable value is an estimate of selling price in the ordinary course of business and is reduced by the relevant cost of sale.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments, with original maturities of three months or less.

Funds managed by the Parent Company under the “Agreement for cash-pooling service” are recognised as receivables from the parent, and not as cash/cash equivalents.

2.13 Share capital

Ordinary shares are classified as share capital.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

2.14 Current and deferred income taxes

Current income tax is calculated on the basis of tax laws enacted at the reporting date. Management regularly evaluates positions taken in tax returns, with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions as appropriate, on the basis of amounts expected to be paid to tax authorities.

Deferred income tax is recognised using the balance sheet method, on temporary differences arising between the tax basis of assets and liabilities, and their carrying amounts in the financial statements. Deferred income tax is not accounted for, however, if it arises from initial recognition of assets or liabilities in a transaction, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates which have been enacted, or substantively enacted, and are expected to be applied at the date of the temporary differences settlement.

Current and deferred taxes are recognised in the Income statement, except for cases when they are recognised directly in equity, or in the Statement of comprehensive income.

Deferred income tax assets are recognised to the extent that it is probable that the Company will achieve the sufficient taxable profit in the future against which the temporary differences can be utilised.

The Company offsets deferred tax assets and deferred tax liabilities, where the Company has a legally enforceable right to offset tax assets against tax liabilities, and these relate to income taxes levied by the same tax authority.

2.15 Provisions

Provisions are recognised when the Company has a present contractual or constructive obligation to transfer economic benefits as a result of past events, it is probable that such a transfer will be required to settle these liabilities, and a reliable estimate of the amount can be made. No provisions are created for future operating losses. When the Company anticipates that a provision will be reimbursed in future, for example under an insurance contract, future income is recognised as an individual asset, but only when such reimbursement is almost certain.

If there are several similar commitments, then the probability that the expenditures will need to be settled is determined by considering the group of liabilities as a whole. A provision is also recognised when the probability of expenditures is low with respect to any item included in the same liabilities group.

Provisions are measured at present value of expenditures expected to settle the liabilities, using a pre-tax rate that reflects the current market estimate of the time value of money, and the risks specific to the liabilities. Increases in provisions due to the passage of time are recognised as interest expenses.

2.16 Contingent liabilities

Contingent liabilities are not recognised in the Statement of financial position. They are disclosed in the notes to the financial statements if the probability of an outflow of resources representing the economic benefits is not probable. They are not disclosed in the notes to the financial statements if the possibility of an outflow of resources representing the economic benefits is remote.

2.17 Contractual liabilities

Contractual liabilities represent the Company's obligation to transfer goods or provide services to customers, in a situation where the Company has already received consideration for these goods or services. For the Company, these are primarily customer fees for connection to the distribution network, and subsequent access to the provision of distribution services.

2.18 Employee benefits

The Company has a pension scheme with a predetermined pension benefit, as well as a predetermined contribution.

Pension plans

A predefined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive upon retirement. It is dependent on one or more factors such as age, years of service and compensation.

A predefined contribution plan is a pension plan, under which the Company pays fixed contributions to the third parties or to the Government. The Company has no legal or constructive obligations to pay further contributions, if the funds do not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

(All amounts are in thousands of EUR unless stated otherwise)

Unfunded defined benefit pension plan

According to the Corporate Collective Agreement for the years 2017 – 2019, the Company is obliged, based on the number of years in service, to pay its employees, upon retirement or disability, the following multiples of their average monthly salary:

	Average monthly salary multiple
up to 10 years	2
11 - 15	4
16 - 20	5
21 - 25	6
over 25	7

The minimum requirement of the Labour code of one-month average salary payment upon retirement is included in the above multiples.

Other predefined benefits

The Company also pays the following life and work jubilee benefits:

- One additional monthly salary on the 25th annual work anniversary
- A single payment of 40% to 110% of employee's monthly salary, depending on number of years worked for the Company, when employees reaches the age of 50 years.

The Company's employees expect the Company to continue providing these benefits and, in the opinion of management, it is unlikely that the Company will stop providing them.

Liabilities recognised in the Statement of financial position, in respect of defined benefit pension plans, are the present value of defined benefit obligations, as at the reporting date.

Defined benefit obligations are calculated annually by the Company, using the Projected Unit Credit method. Present value of defined benefit obligations are determined by (a) discounting estimated future cash outflows, using interest rates of high quality government or corporate bonds, which have terms to maturity approximating the terms of the related pension liabilities, and then (b) attributing the calculated present values to periods of service based on the plan.

Actuarial gains and losses arising from experience, adjustments and changes in actuarial assumptions are immediately recognised in the period incurred. Pension liabilities are recognised in the Statement of comprehensive income, and life and work jubilee benefits in the Income statement. Past-service costs are recognised immediately in the Income statement.

Predefined contribution pension plans

The Company contributes to state and private pension schemes with predetermined contributions.

The Company makes contributions to government health, sickness, pension, accidental and guarantee insurance, and unemployment schemes, at statutory rates during the year, based on gross salary payments.

Throughout the year, the Company makes contributions to these funds amounting to 35.2% (2018: 35.2%) of gross salaries, up to a monthly salary ceiling, which is defined by the relevant law, to a maximum of EUR 6 678 (2018: up to a maximum of EUR 6 384) depending on the type of fund, while the base for health and accidental insurance is unlimited. An employee contributes an additional 13.4% to the relevant insurance (2018: 13.4%). The cost of these payments is charged to the Income statement in the same period as the related salary cost.

In addition, with respect to those employees who have chosen to participate in supplementary pension insurance, the Company makes annual contributions to supplementary pension insurance, between 2% and 6% of monthly wage, up to maximum of EUR 1 400 (2018: EUR 1 400).

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated by the employer before the normal retirement date, upon agreement between the employer and employee resulting from redundancy, in exchange for these benefits. The Company recognises termination benefits when it is demonstrably committed to either: (a) terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or (b) provide termination benefits as a result of an offer made to encourage voluntary redundancy. Present value of termination benefit does not significantly differ from carrying amount, as the influence of discounting is not significant.

Profit sharing and bonus plans

Liabilities for any employee benefits, in the form of profit sharing and bonus plans, are recognised as other payables when there is no real alternative but to settle the liabilities, and at least one of the following conditions is met:

- A formal plan officially exists, and the amounts to be paid are determinable before the financial statements are authorised for issue
- Past practice created a valid expectation for employees that they will receive profit sharing or other bonus, and the amount can be determined before the financial statements are authorised for issue

Liabilities for profit sharing and bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

2.19 Revenue recognition

Revenue comprises fair value of the consideration received, or receivables for the sale of goods and services in the ordinary course of the Company's activities. Revenue is recognised, net of value-added tax, excise duties, estimated returns, rebates and discounts.

The Company recognises revenue when the amount can be reliably measured, it is probable that future economic benefits will flow to the Company, and specific criteria were met for each of the Company's activities as described below.

The amount of revenue is not considered to be reliably measurable until all conditions related to sale are met. The Company bases its estimates on historical results, taking into consideration the type of customer, type of transaction, and the specifics of each arrangement.

Revenue from distribution of electricity is recognised when the electricity is delivered to the customer. Consumption of wholesale customers is metered and billed on a monthly basis. The billing cycle of retail customers (households and small businesses) is metered on an annual basis, and billed on a monthly basis, as the company invoices distribution services to the electricity supplier on a monthly basis, according to electricity actually distributed.

The Company uses a methodology for the estimate of network losses that is consistent with the methodology used during the year 2018. Calculation of network losses is derived from actual metering, as well as from the estimate of supply at low voltage level, based on past experience.

Sales of services are recognised in the accounting period in which they are rendered. By reference to the level of the specific transaction the sale of services is assessed on the basis of actual service provided as a proportion of total services to be provided.

Revenue from fees for connection to the distribution network and subsequent access to distribution services are recognised as contractual liabilities, and are released to income of the current period over the average useful life of electricity distribution assets.

In accordance with existing legislation, withheld assets (e.g. transformer stations), assets acquired free of charge, and identified inventory surpluses of assets are initially recognised at fair value in deferred income, while an amount equal to the annual depreciation charge of the assets is recognised in the income of the current reporting period.

Fees for relocations of energy devices are treated similarly to withheld assets, meaning the value of such fees is recorded as deferred income, while the amount equal to the annual accounting depreciation for these assets is recognised in the revenue of the current period.

Interest income is recognised on an accrual basis in the period to which it relates, using the effective interest rate method.

2.20 Dividend payment

Payment of dividends to the Company's shareholders are recognised as a liability in the Company's financial statements, in the period in which the dividends are approved by the Company's shareholders.

3 Financial risk management

3.1 Financial risk factors

Through its activities, the Company is exposed to a variety of financial risks: market risk (including foreign exchange, price and interest rate risks), operational, credit and liquidity risks. The Company’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company’s financial performance. The Company does not use derivative financial instruments to hedge risk exposures.

Financial risk management is performed by the central financial department (the Company procures services from the parent company Stredoslovenská energetika Holding, a.s.), in accordance with procedures approved by the Board of Directors. The central financial department identifies, assesses and hedges financial risks, in cooperation with operational departments within the Company. The Board of Directors and the Company’s management issue written principles for overall risk management, as well as written procedures covering specific areas such as foreign exchange risk, interest rate risk, credit risk and the use of non-derivative financial instruments.

(i) Market risk

(a) Foreign exchange risk

The Company is not exposed to foreign exchange risk, as expenses and revenue in foreign currencies are not significant for the Company.

(b) Price risk

Distribution services provided by the Company are subject to price regulation by ÚRSO. Based on adopted regulatory policy for 2017 - 2021, the office determines the scope and method of price regulation. ÚRSO sets the price assessment for distribution services of the Company for the whole regulatory period, but usually changes them each regulatory year. These prices are binding for the Company when invoicing. Reasonable profit is derived from the regulatory basis of assets, and the rate of return set by the ÚRSO. Nevertheless, there may be circumstances outside of the Company's direct control, that will result in an adjustment of the price assessment during the year, and thus have a negative or positive impact on the Company's profit or loss. The level of this risk cannot be quantified in advance. In the event of such occurrence, the Company's management enters into negotiations with ÚRSO in order to minimise negative impact on the Company.

(c) Cash flows and fair value interest rate risk

The Company is not exposed to interest rate risk from its long-term loans.

As at 31 December 2019 and 31 December 2018, all loans are denominated in EUR, bearing fixed interest rates, and are recorded at amortised cost. For more details see Note 15.

(ii) Operational risk

Operational risk is the risk of direct or indirect losses, arising from a wide variety of causes associated with the Company's processes, personnel, technology, infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements, and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the eliminations of financial losses, and damage to the Company's reputation, with overall cost effectiveness, and to avoid control procedures that restrict initiative and creativity. The primary responsibility for development and implementation of controls to address operational risk is assigned to the Company's senior management.

The Internal audit department carries out regular reviews to ensure that the Company's processes are in compliance with internal guidelines. Results of the internal audit are discussed by the Company's top management.

(iii) Credit risk

Credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, cash-pooling receivables from the parent company, as well as exposure to large and small customers, including outstanding receivables and future transactions from concluded contracts. As regards relations with banking and financial institutions, the Company only enters into relations with those with high independent credit ratings. Where an independent ratings for large customers are available, these ratings shall be used. In the absence of such assessment, the customer's creditworthiness will be assessed taking into account financial position, historical data and other factors.

The key service of the Company is the distribution of electricity to final customers, which is in most cases invoiced through electricity suppliers (e.g. the sister company Stredoslovenská energetika, a.s. or another supplier) in the form of so-called integrated contracts for bundled electricity supply (the electricity price is invoiced to the end customer together with the distribution fee). The Company manages the risk of non-payment of customers through an advance payment system.

As regards trade receivables from the sister company Stredoslovenská energetika, a. s., receivables from cash-pooling from the parent company Stredoslovenská energetika Holding, a.s. and a low number of other customers (electricity suppliers and direct customers), the Company has a significant concentration of credit risk against these companies (2019: 87% of receivables; 2018: 93% of receivables).

The Company measures impairment allowances for trade receivables at an amount equal to the lifetime ECL.

Impairment losses from trade and other receivables are recognised in profit or loss. An impairment loss is reversed if the reversal can be objectively attributed to an event that occurs after an impairment loss is recognised.

(All amounts are in thousands of EUR unless stated otherwise)

The table below shows balances of receivables from banks and cash balances, as at the balance sheet date:

		Balance as at 31 December	
Counterparty	**Rating***	**2019**	**2018**
Banks			
Všeobecná úverová banka a.s.	A2	3 830	398
UniCredit Bank, a.s.	Baa1	8	8
Cash in hand	-	10	7
Total		**3 848**	**413**

Funds managed by the parent company Stredoslovenská energetika, a.s., based on the “Agreement for cash-pooling service”, as at 31 December 2019, represent the amount of EUR 83 795 thousand (31 December 2018: EUR 176 947 thousand), and they are classified as a receivable from the parent company.

*The Company uses independent ratings of Moody’s, Standard & Poor’s and Fitch.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure, which is as at 31 December 2019, and as at 31 December 2018 as follows:

		Balance as at 31 December	
Financial instrument	**Note**	**2019**	**2018**
Trade receivables (before impairment allowance)	8	22 839	22 838
Receivable from the parent company (Cash Pooling)		83 795	176 947
Cash and cash equivalents	10	3 848	413
Total		**110 482**	**200 198**

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, availability of funds through the committed credit facilities, and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding from the parent company.

The Company concluded an Agreement for cash-pooling service with the parent company Stredoslovenská energetika Holding, through which it manages liquidity risk, which should, if necessary, cover insolvency. Funds from cash-pooling are available on request. The Company regularly monitors the status of its liquid assets.

The Company also uses the advantages of payment terms between the Company and its suppliers to secure sufficient financing funds to cover its needs. The maturity of supplier’s invoices is between 14 and 90 days.

Expected cash flows are prepared as follows:
- Expected future cash inflows from main operations of the Company
- Expected future cash outflows securing operations of the Company, and leading to settlement of all liabilities of the Company, including tax payables

(All amounts are in thousands of EUR unless stated otherwise)

A cash flows forecast is prepared monthly. It identifies the immediate need for cash and, if funds are sufficient, it enables the Company to make short-term deposits.

The table below analyses the Company's financial liabilities according to remaining maturity period. Amounts disclosed in the table are the contractual undiscounted cash flows. The difference between carrying and estimated values of liabilities represent future expected interests.

	Carrying value	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
As at 31 December 2019					
Borrowings from the parent company (principal incl. future interest charges)	10 000	2 699	2 642	5 113	10 454
Trade and other payables (excl. liabilities not in scope of IFRS 7)	62 961	62 961	-	-	62 861
Total	**72 961**	**65 660**	**2 642**	**5 113**	**73 415**
As at 31 December 2018					
Borrowings from the parent company (principal incl. future interest charges)	13 800	4 104	2 699	7 755	14 558
Trade and other payables (excl. liabilities not in scope of IFRS 7)	53 426	53 426	-	-	53 426
Total	**67 226**	**57 530**	**2 699**	**7 755**	**67 984**

3.2 Capital risk management

For purposes of managing capital, the management considers equity as capital. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern, in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. The Company's management manages shareholders' capital reported under IFRS EU amounting to EUR 790 621 thousand (2018: EUR 851 641 thousand).

Consistent with other companies within the industry, the Company also monitors capital on the basis of gearing ratio. This ratio is calculated as total debt, divided by total liabilities and equity. Total debt is calculated as the sum of bank loans and borrowings (including current and non-current bank loans, and borrowings as presented in the Statement of financial position).

During 2019, as well as in 2018, the Company's strategy was to maintain gearing ratio below the 60% limit stated in the Company's loan agreements.

3.3 Fair value estimation

Fair value of financial instruments traded in the active markets is based on quoted market prices at the reporting date. Different methods, such as discounted estimated future cash flows, are used for determining fair value of other financial instruments.

The carrying amounts of trade receivables and payables, decreased by impairment allowance, are assumed to approximate their fair values. Fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 Significant accounting estimates and judgements

Use of estimates and judgements

The preparation of financial statements in accordance with IFRS as adopted by the EU, requires management of the Company to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and related assumptions are based on historical experience and other miscellaneous factors deemed appropriate under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and corrections to accounting estimates are recognised in the period in which the estimates are corrected, if the correction only affects this period, and in the future periods, if the correction affects this and future periods.

Information about significant areas of estimation uncertainty and critical judgements in using accounting policies, that have the most significant impact on amounts reported in the financial statements are stated below.

(i) Estimated useful lives of assets

In cooperation with internal and external experts, management estimates the useful lives of non-current tangible and intangible assets. Should revised estimated useful lives of non-current tangible and intangible assets be shorter by 10% than management’s estimate at 31 December 2019, the Company would have recognised an additional depreciation of property, plant and equipment and non-current intangible assets charged to the Income statement in the amount of EUR 6 412 thousand (2018: EUR 6 890 thousand).

(All amounts are in thousands of EUR unless stated otherwise)

5 Non-current tangible assets

Movements of non-current tangible assets from 1 January 2018 to 31 December 2019 are presented below:

	Land	Buildings	Machinery, equipment and other assets	Tangible assets not yet in use including advances	Total
As at 1 January 2018					
Acquisition cost	12 646	944 180	334 027	19 977	**1 310 830**
Accumulated depreciation and impairment charges	-	(419 660)	(122 968)	-	**(542 628)**
Net book value	**12 646**	**524 520**	**211 059**	**19 977**	**768 202**
Year ended 31 December 2018					
Opening balance	12 646	524 520	211 059	19 977	**768 202**
Addition	102	22 124	8 862	17 257	**48 345**
Transfers from assets not yet in use	8	5 453	7 156	(12 617)	**-**
Disposals	(212)	(503)	(111)	(105)	**(931)**
Depreciation charge	-	(40 795)	(15 772)	-	**(56 567)**
Reversal of impairment of provisions	-	230	-	-	**230**
Closing net book value	**12 544**	**511 029**	**211 194**	**24 512**	**759 279**
As at December 2018					
Acquisition cost	12 544	966 615	346 244	24 512	1 349 915
Accumulated depreciation and impairment charges	-	(455 586)	(135 050)	-	(590 636)
Net book value	**12 544**	**511 029**	**211 194**	**24 512**	**759 279**
Residual value as at 1 January 2019	12 544	511 029	211 194	24 512	759 279
Recognition of right-of-use asset on initial application of IFRS 16	480	1 191	2 877	-	4 548
Adjusted balance as at 1 January 2019	**13 024**	**512 220**	**214 071**	**24 512**	**763 827**
Year ended 31 December 2019					
Opening balance	13 024	512 220	214 071	24 512	**763 827**
Additions	34	21 231	9 078	18 261	**48 604**
Transfers from assets not yet in use	7	11 549	6 589	(18 145)	**-**
Disposals	(50)	(143)	(25)	(106)	**(324)**
Depreciation charge	(41)	(36 926)	(17 349)	-	**(54 316)**
Reversal of impairment provision	-	131	-	-	**131**
Closing net book value	**12 974**	**508 062**	**212 364**	**24 522**	**757 922**
As at 31 December 2019					
Acquisition cost	13 015	995 477	356 571	24 522	**1 389 585**
Accumulated depreciation and impairment charges	(41)	(487 415)	(144 207)	-	**(631 663)**
Net book value	**12 974**	**508 062**	**212 364**	**24 522**	**757 922**

As at 31 December 2019, no non-current tangible assets were pledged in favour of a creditor. The Company has no contracts in respect of pledged assets and long-term leases of non-current assets.

Impairment allowances represent an impairment loss relating to buildings not used. As at 31 December 2019, the value of the impairment for unused buildings amounted to EUR 2 629 thousand (31 December 2018: EUR 2 909 thousand).

(All amounts are in thousands of EUR unless stated otherwise)

There are no restrictions of ownership relating to non-current tangible assets and they are not pledged.

Buildings, machines, equipment and other assets mainly include the distribution network, switching stations, transformers, administrative buildings, equipment, vehicles and machinery, hardware, servers, telephone exchanges, remote control equipment, electrometers, metering equipment, system failure detectors and electrical hand tools and machines.

Relocation of energy devices, assets obtained by withholding (transformer stations, power lines), assets obtained free of charge, and inventory surplus are recorded in accordance with existing legislation, and initially recorded at fair value as deferred income. Subsequently, an amount equal to the annual accounting depreciation of these assets is recognised in revenue for the current period (Note 12).

Overview of rights-of-use lease assets under IFRS 16 recognised under non-current tangible assets:

	Land	**Buildings, halls, constructions and networks**	**Machinery, equipment and other assets**	**Total**
As at 1 January 2019	**-**	**-**	**-**	**-**
IFRS 16 impact	480	1 191	2 877	**4 548**
Additions	**-**	109	1 132	**1 241**
Depreciation	(41)	(140)	(975)	**(1 156)**
Disposals	**-**	**-**	**-**	**-**
As at 31 December 2019	**439**	**1 160**	**3 034**	**4 633**

As at 31 December 2019, a leasing company provides the lease of new vehicles up to 3.5 tonnes (number of vehicles is 430), and fleet management for 266 vehicles owned by the Company.

The framework contract with the leasing company is concluded for a period of 4 years after the expiry of which, upon fulfilment of the stipulated conditions specified in the contract, will be automatically changed for an indefinite period. The notice period of the lease is 12 months for the new vehicle rental service and 3 months for the fleet management.

Method and amount of insurance of tangible assets

Non-current tangible assets are insured up to EUR 1 113 295 thousand (2018: EUR 1 025 140 thousand) for natural hazards, vandalism and theft, and up to EUR 12 962 thousand (2018: EUR 15 616 thousand) due to machine fracture risk.

(All amounts are in thousands of EUR unless stated otherwise)

6 Non-current intangible assets

The following table summarises the movements of non-current intangible assets from 1 January 2018 to 31 December 2019:

	Computer software	Intangible assets not yet in use including advances	Other intangible assets	Total
As at 1 January 2018				
Acquisition cost	36 077	1 564	78	37 719
Accumulated amortisation	(22 391)	-	(8)	(22 399)
Net book value	**13 686**	**1 564**	**70**	**15 320**
Year ended 31 December 2018				
Opening balance	13 686	1 564	70	15 320
Additions	1 725	893	16	2 634
Transfers from assets not yet in use	750	(770)	20	-
Disposals	-	(6)	-	(6)
Amortisation charge	(3 161)	-	(3)	(3 164)
Net book value	**13 000**	**1 681**	**103**	**14 784**
As at 31 December 2018				
Acquisition cost	38 552	1 681	114	40 347
Accumulated amortisation	(25 552)	-	(11)	(25 563)
Net book value	**13 000**	**1 681**	**103**	**14 784**
Year ended 31 December 2019				
Opening balance	13 000	1 681	103	14 784
Additions	1 608	493	13	2 114
Transfers from assets not yet in use	599	(759)	160	-
Disposals	-	(2)	-	(2)
Amortisation charge	(3 502)	-	(8)	(3 510)
Net book value	**11 705**	**1 413**	**268**	**13 386**
As at 31 December 2019				
Acquisition cost	40 759	1 413	287	42 459
Accumulated amortisation	(29 054)	-	(19)	(29 073)
Net book value	**11 705**	**1 413**	**268**	**13 386**

Software consists mainly of customer information systems (SAP ISU/CRM), information systems for service administration (EAM), graphic information systems (GIS) and operating information systems (RIS). Additions are represented mainly by upgrades of software (SAP, RIS, GIS).

The Company has no limited right to dispose of non-current intangible assets and does not use them as collateral.

(All amounts are in thousands of EUR unless stated otherwise)

7 Financial instruments by category

Analysis of the financial instruments by category of measurement in accordance with IFRS 9 is as follows:

	Balance as at 31 December	
	2019	**2018**
Assets per Statement of financial position		
Trade and other receivables (before impairment allowance) (Note 8)	22 839	22 838
Receivables from the parent company (Cash Pooling)	83 795	176 947
Cash and cash equivalent (Note 10)	3 848	413
Total	**110 482**	**200 198**
Liabilities per Statement of financial position		
Liabilities to the parent company (Note 15)	10 000	13 897
Trade and other liabilities (Note 14)	60 837	54 613
Total	**70 837**	**68 510**

8 Trade and other receivables

	Balance as at 31 December	
	2019	**2018**
Current receivables and prepayments provided:		
Receivables within due dates	19 711	19 605
Receivables overdue, but not impaired	-	-
Individually impaired receivables	3 128	3 233
Trade receivables (before impairment allowance)	**22 839**	**22 838**
Less: Impairment allowance for receivables	(2 577)	(2 529)
Net trade receivables	**20 262**	**20 309**
Other receivables and assets	1 402	1 279
Trade and other receivables	**21 664**	**21 588**

The structure of the trade receivables within due dates is as follows:

	Balance as at 31 December	
	2019	**2018**
Very high voltage	949	736
High voltage	703	618
Low voltage	2	12
Aggregated invoices	12 431	12 235
Producers EE (MPDS – payment to NJF)	80	63
TPS – Compensation of purchase of green energy from OKTE	3 833	4 270
SSE – Repurchase, purchase of EE	413	561
Other customers	1 300	1 110
Trade receivables within due dates	**19 711**	**19 605**

(All amounts are in thousands of EUR unless stated otherwise)

The structure of trade receivables by maturity is as follows:

	Balance as at 31 December	
	2019	**2018**
Receivables due	19 711	19 605
Receivables overdue	3 128	3 233
Total	**22 839**	**22 838**

Impaired receivables relate to both large and small customers, who are facing the unexpectedly difficult economic situations.

It is expected that part of overdue receivables that are impaired will be repaid.

Ageing of receivables is as follows:

	Balance as at 31 December	
	2019	**2018**
From 1 to 30 days	503	542
From 31 to 90 days	128	126
From 91 to 180 days	49	59
From 181 to 360 days	149	17
More than 361 days	2 299	2 489
Individually impaired trade receivables	**3 128**	**3 233**

Movements in impairment allowance for receivables are recognised in the Income statement in other operating expenses / income. They are presented in the following table:

	Balance as at 31 December	
	2019	**2018**
As at the beginning of the year	2 529	2 471
Creation of impairment provision	226	241
Use of impairment provision	(174)	(107)
Reversal of unused impairment provision	(4)	(76)
As at the end of the year	**2 577**	**2 529**

9 Accrued income

Up to and including 31 December 2019, the Company was obliged to bear all costs related to support of OZE/KVET, including purchase of electricity from OZE/KVET, responsibility for imbalance, and payment of a surcharge in the amount approved by ÚRSO. These costs are covered by the operational tariff ("TPS"). In 2018 (2018: year of 2017), the Company incurred a loss due to the difference between the costs associated with support of OZE/KVET, and revenue from TPS. Based on the ÚRSO decision of December 2019 (2018: from December 2018), the Company recognised deferred income in the Statement of financial position, at the amount which was granted by ÚRSO for loss offsetting for 2018 (2018: for 2017), entering TPS in 2020 (2018: in 2019) in the amount of EUR 138 248 thousand (2018: EUR 97 832 thousand).

10 Cash and cash equivalents

The Company has entered into a Service agreement on cash-pooling with its parent company, whereby available cash is managed by the parent company. These funds are available to the Company upon request.

(All amounts are in thousands of EUR unless stated otherwise)

As at 31 December 2019, the Company reported a receivable in the amount of EUR 83 795 (as at 31 December 2018: EUR 176 947 thousand) to the parent company, Stredoslovenská energetika Holding, a.s. This receivable bears interest of 0.00% p.a. for credit balance and 0.40% p.a. for debit balance and is payable on demand.

	Balance as at 31 December	
	2019	**2018**
Cash at bank and cash on hand	3 848	413
Total	**3 848**	**413**

The carrying amount of cash and cash equivalents, as at 31 December 2019 and as at 31 December 2018, is not significantly different from their fair value.

11 Equity

No changes occurred in the Company's share capital in 2018 or in 2019. The Company has no registered share capital that is not registered in the Commercial register.

The Company's share capital consists of 15 058 shares (2018: 15 058 shares), at nominal value of EUR 33 194 per share (2018: EUR 33 194 per share). As at 31 December 2019, the entire share capital was issued and paid.

Pursuant to the Commercial code, the Company is obliged to create a legal reserve fund of 10% of registered capital upon its establishment. This amount must be supplemented by at least 10% of net profit, up to 20% of share capital, on an annual basis. The use of this fund is limited by the Commercial code to cover losses of the Company and is not a distributable fund. As at 31 December 2019, the legal reserve fund amounted to EUR 99 967 thousand (as at 31 December 2018: EUR 99 967 thousand), and thus reaches the required amount.

The General Meeting of the Company, held on 27 June 2019, approved the Company's separate financial statements for the previous period, and agreed to pay dividends to shareholders in the amount of EUR 173 541 thousand, which represent the accumulated profit or loss for the period of 2016 – 2018 (2018: the General Meeting decided to keep profit for 2017 in equity, as for profit or loss in previous periods).

As at the balance sheet date, the Board of Directors of the Company has not submitted proposals for profit or loss distribution for 2019.

12 Deferred income

	Balance as at 31 December	
	2019	**2018**
Relocation of energy devices	25 150	22 954
Withheld assets	66	14
Other	3 331	3 776
Deferred income long-term	**28 547**	**26 744**

Relocation of energy equipment, assets obtained by withholding (transformer stations, power lines), free-of-charge assets, and identified inventory surpluses of assets are recognised in accordance with existing legislation, initially at fair value through profit or loss, while annual depreciation of these assets is recognised in income of the current reporting period.

(All amounts are in thousands of EUR unless stated otherwise)

13 Contractual liabilities

	Balance as at 31 December	
	2019	**2018**
Connection fees non-current	33 136	30 377
Connection fees current	1 021	924
Contractual liabilities	**34 157**	**31 301**

Reported payables consist mainly of customers' fees for connection to the distribution network, and subsequent access to distribution services, while they are released into revenue of the current reporting period during the average lifetime of electricity distribution assets. The Company estimates annual proceeds from the release of contractual obligations, as at 31 December 2019, in the amount of approximately EUR 1 021 thousand (as at 31 December 2018: approximately EUR 924 thousand).

14 Trade and other liabilities

	Balance as at 31 December	
	2019	**2018**
Trade liabilities - current	40 385	37 589
Trade liabilities - non-current	3 480	-
Deferred income – current (Note 12)	1 049	1 317
Liabilities to employees	1 533	1 303
Social security	1 066	908
Accrued personnel expenses	4 690	4 349
Social fund	85	126
VAT - payable	5 930	6 123
Other liabilities	2 619	3 034
Total	**60 837**	**54 749**

The fair value of trade and other liabilities is not significantly different from their carrying amount.

No liabilities are secured by a lien or other collateral.

The structure of liabilities by maturity is as follows:

	Balance as at 31 December	
	2019	**2018**
Payables due	60 808	54 549
Payables overdue	29	200
Total	**60 837**	**54 749**

(All amounts are in thousands of EUR unless stated otherwise)

An overview of lease liabilities by residual maturity is shown in the following table:

	Balance as at 31 December 2019
Less than one year	1 185
One to five years	2 289
More than five years	1 191
Total	**4 665**

An overview of lease transactions, recognised in the Statement of cash flows, is presented in the following table:

	Balance as at 31 December 2019
Total lease payments	1 203
Total	**1 203**

Payments for leases relating to principal during the reporting period, in the amount of EUR 1 124 thousand, are recognised in the Statement of cash flows, as cash flows from financial activities. Interest payments related to lease obligations, amounting to 79 thousand EUR, are reported as operating flows in the Statement of cash flows.

Carrying amounts of liabilities are denominated in the following currencies:

	Balance as at 31 December	
	2019	**2018**
EUR	60 815	54 724
CZK	22	25
Total	**60 837**	**54 749**

Social fund

Creation and use of the social fund during the accounting period are shown in the following table:

	Balance as at 31 December	
	2019	**2018**
Opening balance as at 1 January	126	163
Creation as expense	444	447
Drawing	(491)	(484)
Closing balance as at 31 December	**79**	**126**

According to the Social fund act, creation of the social fund is compulsory, charged to expenses, and a portion may be generated from profit. According to the Social fund act, the social fund is used for social, health, recreational and other needs of employees.

(All amounts are in thousands of EUR unless stated otherwise)

15 Liabilities to the parent company

The maturities of loans are as follows:

	Balance as at 31 December	
Maturity	**2019**	**2018**
Current part of loans	2 500	3 897
Non-current part of loans		
From 1 to 5 years	7 500	10 000
More than 5 years	-	-
Total	**10 000**	**13 897**

As at 31 December 2019, the fair value of loans does not significantly differ from their carrying amount, as the effect of discounting is not significant. Effective from 1 January 2020, the Company becomes a direct debtor of Slovenská sporiteľňa, and liabilities to the parent company, Stredoslovenská energetika Holding a.s., in the amount of EUR 10 000 thousand, are considered to be fulfilled.

(All amounts are in thousands of EUR unless stated otherwise)

Loans received from the parent company

On 1 July 2007, the Company took over loans from Stredoslovenská energetika Holding, a.s. in the amount of EUR 56 324 thousand, while Stredoslovenská energetika Holding, a.s. remains the original debtor to banking institutions. The debtor (the Company) has assumed an obligation to pay the creditor (Stredoslovenská energetika Holding, a.s.) the remaining total of loans, including related fees, to the extent that Stredoslovenská energetika Holding, a.s. is obliged to pay the payments and fees incurred after 1 July 2007, according to individual loan agreements.

As at 30 September 2013, the Company drew an investment loan from Slovenská sporiteľňa 179/AUCC/13 in the amount of EUR 25 000 thousand. The direct debtor towards Slovenská sporiteľňa is Stredoslovenská energetika Holding, a.s. The debtor (the Company) has assumed the obligation to pay to the creditor (Stredoslovenská energetika Holding, a.s.) the remaining total of loans, including related fees, to the extent that Stredoslovenská energetika Holding, a.s. is obliged to pay to Slovenská sporiteľňa. With effect from 1 January 2020, the Company becomes a direct debtor to Slovenská sporiteľňa.

An overview of loans received from financial institutions, via the parent company Stredoslovenská energetika Holding, a.s., is shown in the following table:

					As at 31 December	
Type of the loan	**Bank and code**	**Currency**	**Interest rate % p.a.**	**Final maturity**	**2019**	**2018**
Investment loan	VÚB 52/ZU/2006	EUR	Fixed 3.88% + 0.3%	30.06.2019	-	425
Investment loan	VÚB 85/ZU/2007	EUR	Fixed 4.80%	01.12.2019	-	875
Investment loan	SLSP 179/AUCC/13	EUR	Fixed 2.25%	30.06.2023	10 000	12 500
Total amount of loans		-	-	-	**10 000**	**13 800**

As at 31 December 2019, liabilities from interest expenses on investment loans amounts to EUR nil (2018: EUR 97 thousand).

(All amounts are in thousands of EUR unless stated otherwise)

16 Deferred income tax

Deferred income tax is calculated, to the full extent, from the temporary differences using the balance sheet method. The rate of deferred tax in 2019 and 2018 was calculated at 21%.

Deferred income tax assets and liabilities are offset when there is an enforceable right to offset a current receivable with a current liability, and if deferred income tax relates to the same tax authority.

	Balance as at 31 December	
	2019	**2018**
Deferred tax asset		
- Deferred tax asset to be recovered after more than 12 months	1985	2089
- Deferred tax asset to be recovered within 12 months	1 380	886
	3 365	**2 975**
Deferred tax liability		
- Deferred tax liability to be settled after more than 12 months	(88 156)	(89 316)
	(88 156)	**(89 316)**
Net deferred tax liability	**(84 791)**	**(86 341)**

Movements in deferred income tax assets and liabilities during the year are as follows:

	As at 1 January 2019	**(Charged)/ credited to the Income statement**	**Recognised in equity**	**As at 31 December 2019**
Non-current assets*	(89 316)	1 160	-	(88 156)
Provisions for employee benefits and bonuses	2 435	56	(83)	2 408
Other	540	417	-	957
Total	**(86 341)**	**1 633**	**(83)**	**(84 791)**

	As at 1 January 2018	**(Charged)/ credited to the Income statement**	**Recognised in equity**	**As at 31 December 2018**
Non-current assets *	(90 053)	737	-	(89 316)
Provisions for employee benefits and bonuses	2 453	(56)	38	2 435
Others	624	(84)	-	540
Total	**(86 976)**	**597**	**38**	**(86 341)**

* Includes the difference between book value and tax base of non-current tangible and intangible assets.

As at 31 December 2019 and as at 31 December 2018, the Company did not have any temporary deductible differences for which no deferred income tax assets were recognised.

(All amounts are in thousands of EUR unless stated otherwise)

17 Provisions for liabilities

	Pensions programs and other long-term employee benefits (a)	Termination benefits (b)	Other	Total
As at 1 January 2019	9 175	774	1	9 950
Creation of provisions	102	-		124
Use of provisions	(430)	(164)	22	(594)
As at 31 December 2019	**8 847**	**610**	**23**	**9 480**

	Pensions programs and other long-term employee benefits (a)	Termination benefits (b)	Other	Total
As at 1 January 2018	8 820	956	54	9 830
Creation of provisions	758	774	-	1 532
Use of provisions	(403)	(300)	(53)	(756)
Reversal of unused provisions	-	(656)	-	(656)
As at 31 December 2018	**9 175**	**774**	**1**	**9 950**

	Balance as at 31 December	
Analysis of total provisions	**2019**	**2018**
Non-current	9 056	9 683
Current	424	267
Total	**9 480**	**9 950**

(a) Pension program and other employee benefits

In relation to a pre-defined retirement pension program and other long-term employee benefits, the following amounts are reported:

(i) Pension program for retirement

	Balance as at 31 December	
	2019	**2018**
Present value of unfunded retirement provisions	7 847	8 156
Liabilities recognised in the Statement of financial position	**7 847**	**8 156**

(All amounts are in thousands of EUR unless stated otherwise)

Amounts recognised in the Income statement are as follows:

	Balance as at 31 December	
	2019	**2018**
Current service expenses	383	384
Interest expenses	29	83
Total charge included in personnel expenses	**412**	**467**

Movements in the present value of pension program liabilities are as follows:

	Balance as at 31 December	
	2019	**2018**
Present value of unfunded retirement provisions at the beginning of the year	8 156	7 783
Current service expenses	383	384
Interest expenses	29	83
Paid	(326)	(275)
Actuarial (gain)/loss	(395)	181
Present value of unfunded retirement provisions as at the end of the year	**7 847**	**8 156**

(ii) Other long-term employee benefits (anniversaries and loyalty benefits)

	Balance as at 31 December	
	2019	**2018**
Present value of unfunded provisions	1 000	1 019
Provisions in the Statement of financial position	**1 000**	**1 019**

Values recognised in the Income statement are as follows:

	2019	**2018**
Current service expenses	81	80
Actuarial loss	1	23
Interest expenses	3	7
Total charge included in personnel expenses	**85**	**110**

(All amounts are in thousands of EUR unless stated otherwise)

Movements in present value of liabilities of the defined benefit pension program are as follows:

	Balance as at 31 December	
	2019	**2018**
Present value of unfunded provisions as at the beginning of the year	1 019	1 037
Current service expenses	81	80
Interest expenses	3	7
Paid	(104)	(128)
Actuarial losses	1	23
Present value of unfunded provisions as at the end of the year	**1 000**	**1 019**

Basic actuarial assumptions in determining provisions for severance are as follows:

	2019	**2018**
Number of employees as at 31 December	1 316	1 309
Employee fluctuation rate	1.99% p.a.	1.93% p.a.
Expected salary increase – long-term	1.70% p.a.	2.60% p.a.
Expected salary increase – short-term	2.50% p.a.	2.90% p.a.
Discount rate	0.00 – 1.60% p.a. (2020 – 2063)	0.00 – 1.93% p.a. (2019 – 2062)

If actual discount rate differed by 1% from estimated discount rate, the amount of pension provisions would be by EUR 923 thousand lower, or by EUR 239 thousand higher (2018: by EUR 1 005 thousand lower or by EUR 765 thousand higher).

(b) Provisions for severance

Provisions for severance represent an estimate of the severance for employees, as a result of an approved and communicated restructuring process, which will be completed in 2021 (2018: to be completed in 2021). Amounts according to the relevant detailed plan of positions accompanying the restructuring process are expected to be paid as follows:

	Balance as at 31 December	
	2019	**2018**
Expected payment in 2019	-	266
Expected payment in 2020	401	299
Expected payment in 2021	209	209
	610	**774**

(All amounts are in thousands of EUR unless stated otherwise)

18 Revenue

Revenue from own performance by segment includes the following:

Voltage level	Segment VVN		Segment VN		Segment NN-MOP		Segment NN-MOO		Unassigned		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue from distribution	26 555	25 464	102 329	97 073	56 102	56 329	75 163	73 331	-	-	260 149	252 197
Revenue from connection fees	76	76	427	376	171	154	347	318	-	-	1 021	924
Revenue from TPS	-	-	-	-	-	-	-	-	208 133	211 710	208 133	211 710
Revenue from TPS - ÚRSO correction (Note 9)	-	-	-	-	-	-	-	-	40 416	(40 344)	40 416	(40 344)
Contractual sale of electricity to Stredoslovenská energetika, a.s.	-	-	-	-	-	-	-	-	1 925	2 687	1 925	2 687
Revenue from SLA contracts	-	-	-	-	-	-	-	-	2 689	2 635	2 689	2 635
Other	-	-	-	-	-	-	-	-	888	857	888	857
Total	**26 631**	**25 540**	**102 756**	**97 449**	**56 273**	**56 483**	**75 510**	**73 649**	**254 051**	**177 545**	**515 221**	**430 666**

The company divides sales by voltage levels as follows:

a) VVN – very high voltage
b) VN – high voltage
c) NN-MOP – low voltage, entrepreneurs
d) NN-MOO – low voltage, population

Revenue from electricity distribution is regulated by ÚRSO, based on binding decisions which define distribution fees over a specified period, and for specific customer tariff categories.
TPS revenue is generated from OKTE, a.s. (2018: OKTE, a.s.), based on the TPS tariff (Note 9) stipulated by ÚRSO.

(All amounts are in thousands of EUR unless stated otherwise)

Distribution fees are invoiced to electricity suppliers, based on consumption at the customers' offtake points, and to customers with separate distribution agreements.

The total amount of revenue was generated in the Slovak Republic.

19 Other operating revenue

An overview of other operating income from business activities is presented in the following table:

	2019	**2018**
Revenue from the use of property *	1 965	1 321
Release of deferred income (Notes 12 and 13)	1 049	1 317
Income from insurance claims	701	69
Revenue from lease of assets	664	588
Profit from sale of assets	169	712
Other	1 363	1 294
Total	**5 911**	**5 301**

The Company also receives contributions from customers for connection to the electricity distribution network. Revenue in the form of such contributions is recognised as deferred income (recognised as contractual liabilities) and is reversed through income over the average useful life of the distribution network.

* The yield from the optical fibre capacity and support points, as at 31 December 2019, is in the amount of EUR 1 612 thousand (2018: EUR 984 thousand), and rental services in the amount of EUR 353 thousand (2018: EUR 337 thousand).

20 Purchase of electricity, system and other related fees

The following items are included in purchase of electricity and system related charges:

	2019	**2018**
Purchase of electricity		
Variances settlement expenses	3 794	5 588
Supplies from SEPS	37 601	35 640
Purchase of electricity from renewable resources and related charges	217 283	226 853
Total	**258 678**	**268 081**

(All amounts are in thousands of EUR unless stated otherwise)

21 Other operating expenses

An overview of other operating expenses is as follows:

	2019	**2018**
IT services	3 470	3 300
Forest cutting	3 035	1 610
Repair and maintenance	2 923	3 626
Lease – right-of-use assets	2 491	3 365
Security services	1 014	881
Consultancy expenses	990	1 190
SLA – services	744	749
Postage and telecommunication	635	555
Insurance expenses	607	572
Fees and other taxes	544	630
Metering of electricity consumption and inspection of distribution points	475	407
Waste disposal and cleaning	349	271
Service of energy equipment	274	295
Metrological services	272	293
Creation of impairment allowances for receivables	223	163
Other operating expenses	3 961	3 214
Total	**22 007**	**21 121**

The cost for audit services are as follows:

Audit fee	**2019**	**2018**
Audit of the financial statements	45	44
Other assurance services	14	21
Other non-audit services	12	-
Total	**71**	**65**

22 Personnel expenses

	2019	**2018**
Wages and salaries	27 200	25 656
Other personnel expenses	2 839	2 610
Social and health insurance costs - defined contribution plans	9 474	8 819
Retirement and other long-term employee benefits	497	577
Total	**40 510**	**37 662**

23 Net financial expenses

An overview of financial expenses is provided in the following table:

	2019	**2018**
Interest expenses related to loans from the parent company	293	404
Interest expenses from lease liabilities	79	-
Other financial expenses	4	4
Net financial expenses	**376**	**408**

(All amounts are in thousands of EUR unless stated otherwise)

The following table summarises the lease transactions recognised in profit or loss:

	Year ended 31 December 2019
Interest expenses	79
Variable lease expenses which are not included in the measurement of lease liabilities	-
Short-term lease expenses	122
Low-value tangible assets lease expenses, except for short-term low-value tangible assets lease expenses	266
Other	-
Total	**467**

24 Income tax

Reconciliation between theoretical and recognised income taxes is presented in following table:

	Year ended 31 December 2019	**2018**
Profit before tax	146 665	53 627
Theoretical income tax recognised for the current period at the rate 21%	30 800	11 262
- Tax non-deductible expenses	135	136
- Special levy for regulated industries, including tax impact	3 609	2 006
- Other	(88)	120
Total tax recognised	**34 456**	**13 524**
Total tax for the current period consisting of:		
- Deferred tax income	(1 633)	(598)
- Current tax charge for the current period from continuing operations	36 074	14 122
- Income tax for prior periods	15	-
	34 456	**13 524**

Income tax rate for 2019 is 21% (2018: 21%). Effective income tax rate of the Company, for the year 2019, is 23.49% (2018: 25.22%).

The Company is obliged to pay a special levy in accordance with the Special levy act for regulated industries.

The base for the levy is profit or loss before tax, recognised according to Slovak accounting standards for the period, multiplied by a coefficient. The coefficient for calculating the special levy base is calculated as the ratio of the income from the regulated activity to the total income for the period, for which the recognised profit or loss is used to calculate the special levy base. For 2019 the coefficient is 0.49 (2018: 0.57). For 2019, the rate of levy is 0.00545 per calendar month, which amounts to 0.0654 (6.54%) per 12 months. The levy is calculated by multiplying the base by the rate. The levy is paid on a monthly basis and is subject to annual settlement.

Special levy rates according to the 2016 amendment are applied as follows:
0.00726 per month (8.712% p.a.) for 2017 - 2018,
0.00545 per month (6.54% p.a.) for 2019 - 2020,
0.00363 per month (4.356% p.a.) for 2021 and later.

(All amounts are in thousands of EUR unless stated otherwise)

25 Contingent assets and liabilities

Contingent receivable from TPS

Up to and including 31 December 2019, the Company was obliged to purchase electricity from renewable energy sources and co-generation of electricity and heat producers (OZE/KVET), to cover losses, to assume responsibility for the imbalance, and to pay surcharges in the amount approved by ÚRSO. These expenses are compensated in TPS.

Costs related to the support of OZE/KVET exceeded revenue from TPS. In this respect, the Company incurred contingent assets to offset the loss incurred in 2019, in the estimated amount of EUR 88 123 thousand. In accordance with legislation in force, this estimated value will be compensated by TPS in the t+2 period, i.e. in 2021.

Based on the ÚRSO decision of December 2019, the Company recognised deferred income in the Statement of financial position (Note 9), in the amount granted by ÚRSO for compensation of the 2018 losses, which entered the TPS for 2020.

Taxation

Since many areas of Slovak tax law have so far not been sufficiently validated in practice, there is uncertainty as to how they will be applied by the tax authorities. The extent of this uncertainty cannot be quantified, and disappears only when legal precedents, or official interpretations of the competent authorities are available.

Litigation

The Company is currently filing 236 lawsuits, which are subject to an action for repayment of parts of network access fees, paid at different periods of time. The total defendant's claim cannot be reliably and accurately determined. Based on legal analysis, the Company's management considers that it is unlikely that such disputes will be recovered, and the Company has not created a provision for legal disputes.

26 Commitments

Capital commitments

Capital expenditures contracted as at the reporting date, but not recognised in the Statement of financial position, are as follows:

	Balance as at 31 December	
	2019	**2018**
Non-current tangible assets	21 722	17 398
Non-current intangible assets	2 463	1 234
Total	**24 185**	**18 632**

27 Information on off-balance sheet accounts

Leased assets

By application of IFRS 16, lease contracts would be recognised in the Statement of financial position, as a part of non-current tangible assets.

28 Related party transactions

Related party transactions are shown in the following table:

Related parties

a) Parent company
Stredoslovenská energetika Holding, a.s., Žilina (until 31 December 2018 Stredoslovenská energetika, a.s.)

b) Sister companies
Stredoslovenská energetika, a. s., Žilina (until 31 December 2018 Stredoslovenská energetika Obchod, a. s.)
Elektroenergetické montáže, s.r.o., Žilina
SSE – Metrológia, s.r.o., Žilina
SSE CZ, s.r.o., Praha
Stredoslovenská energetika - Project Development, s.r.o., Žilina
SSE-Solar, s.r.o., Žilina
SPV100, s. r. o., Liptovský Mikuláš
SSE - MVE, s.r.o., Žilina

c) Related parties through the parent company
Energotel, a.s., Bratislava
SPX, s.r.o., Žilina

d) Entities controlled by the government of the Slovak Republic
OKTE, a.s.
Slovenská elektrizačná prenosová sústava, a.s.
Slovenský plynárenský priemysel, a.s.
Východoslovenská energetika a.s.
ZSE Energia, a.s.
Žilinská teplárenská, a.s.
Zvolenská teplárenská, a.s.
Martinská teplárenská, a.s.

e) Entities under common control of EP Investment, associated entities and their branches
EP ENERGY TRADING, a.s., organizačná zložka
EP Commodities, a.s.
eustream, a.s.
SPP - distribúcia, a.s.
EP Investment Advisors, s.r.o.
NAFTA a.s.
Slovenské elektrárne, a.s.
Energetický a průmyslový holding, a.s.

f) Members of key management of the Company or of the parent company
Members of the Board of Directors
Members of the Supervisory board

(All amounts are in thousands of EUR unless stated otherwise)

Related party transactions and balances

Related party transactions are performed under standard market conditions.

Related party transactions are shown in the following table:

SSE group (a,b,c)	**2019**	**2018**
Sale of goods, services and merchandise	**153 370**	**150 535**
Stredoslovenská energetika, a.s.*	151 955	-
Stredoslovenská energetika Holding, a.s.	27	150 005
Elektroenergetické montáže, s.r.o.	300	284
Stredoslovenská energetika – Project Development, s.r.o.	39	36
SSE – Metrológia, s.r.o.	13	13
SSE – Solar, s.r.o.	206	188
SPV100, s.r.o.	7	6
Energotel, a.s.	850	3
Sale of assets	**3**	**-**
Stredoslovenská energetika, a. s.	1	-
SPV100, s.r.o.	2	-
Total sales	**153 373**	**150 535**
Purchase of materials	**634**	581
Stredoslovenská energetika, a.s., Žilina	634	-
Stredoslovenská energetika Holding, a.s.	-	581
Purchase of energy and other non-storable items	**31 973**	**29 258**
Stredoslovenská energetika, a.s., Žilina	27 452	-
Stredoslovenská energetika Holding, a.s.	-	24 887
SSE – Solar, s.r.o., Žilina	4 146	4 371
SSE – MVE, s.r.o., Žilina	375	-
Purchase of assets	**318**	**482**
Stredoslovenská energetika Holding, a.s.	-	141
SSE – Metrológia, s.r.o. Žilina	318	341
Purchase of services	**2 691**	**2 474**
Stredoslovenská energetika, a.s., Žilina	1 034	-
Stredoslovenská energetika Holding, a.s., Žilina	942	1 707
SSE – Metrológia, s.r.o., Žilina	256	272
Energotel, a. s., Bratislava	459	495
Financial expenses	**292**	**404**
Stredoslovenská energetika Holding, a. s., Žilina	292	404
Other expenses	**78**	**98**
Stredoslovenská energetika, a.s., Žilina	27	-
Stredoslovenská energetika Holding, a. s., Žilina	40	79
Energotel, a.s., Bratislava	2	11
SPX, s.r.o, Žilina	9	8
Total purchases	**35 986**	**33 297**

(All amounts are in thousands of EUR unless stated otherwise)

Related parties through the state (d), through EP Investment (e)	**2019**	**2018**
Related parties through the state	243 519	245 882
Related parties through EP Investment	19 150	18 239
Total sales	**262 669**	**264 121**
Related parties through the state	50 473	51 530
Related parties through EP Investment	7 379	8 274
Total purchases	**57 852**	**59 804**

The Government of the Slovak Republic has a significant influence on the Company and is therefore considered a related party. The Company's management has made reasonable efforts to identify entities under state control, or those with significant influence of the state. Management of the Company discloses information that its current accounting system makes possible to disclose in relation to activities with state-controlled companies, and companies that the Company's management believes, to the best of its knowledge, could be considered as state-controlled companies.

* The Company realises its revenue through its sister company Stredoslovenská energetika, a.s. (2018: through the parent company Stredoslovenská energetika Holding, a.s.), which is not the final customer of the Company.

Related parties through the key management (f)	**2019**	**2018**
Sale of electricity and related fees	-	-
Total sales	**-**	**-**
Purchase of electricity and related fees	-	-
Total purchases	**-**	**-**

(All amounts are in thousands of EUR unless stated otherwise)

The balances with related parties are shown in the following table:

SSE group (a, b, c)	**Balance as at 31 December**	
	2019	**2018**
Trade receivables	**8 468**	**8 492**
SSE - Metrológia, s.r.o.	4	4
Stredoslovenská energetika, a. s.	8 266	-
Stredoslovenská energetika Holding, a.s.	5	8 365
Elektroenergetické montáže, s.r.o.	55	82
Stredoslovenská energetika - Project Development, s.r.o.	13	11
SSE - Solar, s.r.o.	23	23
SPV100, s.r.o.	8	7
SSE - MVE, s.r.o.	10	-
Energotel, a.s.	84	-
Other receivables within the consolidated group	**83 795**	**176 947**
Stredoslovenská energetika, a. s.	-	-
Stredoslovenská energetika Holding, a.s.	83 795	176 947
Total assets	**92 263**	**185 439**
Trade payables	**4 269**	**3 990**
SSE-Metrológia, s.r.o.	40	28
Stredoslovenská energetika, a. s.	3 827	-
Stredoslovenská energetika Holding, a.s.	16	3 578
SSE - MVE, s.r.o.	60	-
SSE - Solar, s.r.o.	124	94
Energotel, a.s.	195	283
SPX, s.r.o.	7	7
Loans received	**10 000**	**13 897**
Stredoslovenská energetika, a. s. (Note 15)	-	-
Stredoslovenská energetika Holding, a.s.	10 000	13 897
Total liabilities	**14 269**	**17 887**

Related parties through the state (d), through EP Investment (e)	**Balance as at 31 December**	
	2019	**2018**
Trade receivables		
Related parties through the state	6 376	6 531
Related parties through EP Investment	1 803	1 322
Total assets	**8 179**	**7 853**
Trade liabilities		
Related parties through the state	3 640	4 013
Related parties through EP Investment	706	568
Total liabilities	**4 346**	**4 581**

(All amounts are in thousands of EUR unless stated otherwise)

	Balance as at 31 December	
Related parties through the key management (f)	**2019**	**2018**
Trade receivables	-	-
Total assets	**-**	**-**
Trade and other liabilities	-	-
Total liabilities	**-**	**-**

Remuneration of statutory bodies and key management

The structure or remuneration received by the directors, key management and other members of statutory bodies is as follows:

Board of Directors and key management	**2019**	**2018**
Salaries and other short-term employee benefits	449	442
Other non-monetary compensations	28	32
Total	**477**	**474**

Supervisory Board	**2019**	**2018**
Salaries and other short-term employee benefits	74	74
Total	**74**	**74**

29 Events after the reporting date

There were no events after 31 December 2019 requiring disclosure in the financial statements for the year ended 2019.